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CHAPTER 1: SECTION 1
INTRODUCTION AND AUDIT RISK LETTER

TO: Controllers and Chief Fiscal Officers of State Departments and Higher Education Institutions and Boards
FROM: Robert Jaros, CPA, MBA, JD
State Controller
DATE: March 2018
SUBJECT: FY2019 Opening/FY2018 Closing Procedures

The Fiscal Procedures Manual has been updated to reflect the latest processes for closing and opening using CORE. For Fiscal Year 2018, we plan to meet most of our statutory and other deadlines. I am granting an extension for administrative hardship under CRS 24-30-204 for the due date for financial statements for 2 days from August 25 to August 27, 2018.

Key Dates:

July 20 – Period 12 close; vendor payment cut off.

August 3 – Period 13 close; department close. Last day for entries to process through regular workflow channels. Documents processed after this date workflow to OSC for approval.

August 15 – Period 14 close. Most exhibits due based on Period 14 ending balances.

August 17 – TABOR variance analysis due.

August 27 – Departments and institutions submit Financial Statements, including Exhibits I and J (when applicable). Administrative hardship extension.

August 31 – OSC issues Certifications and Schedules of Nonexempt TABOR Revenue.

September 20 – Period 15 close. OSC issues Basic Financial Statements.


March 31 or earlier – OSC and OSA file Single Audit and Schedule of Expenditure of Federal Awards.

Other dates are included in the Close FY2017/Open FY2018 Calendar. The “Highlights” section following this letter summarizes changes this fiscal year. I encourage each department to make full use of the “Department Planning Guidelines and Checklist” to ensure that each of the tasks required of your department is specifically assigned and completed, as tasks have changed with the implementation of CORE. A copy of the management representation letter that you provide to the State Auditor must also be submitted to the Office of the State Controller as soon as it is available.

These procedures are available on our website at: https://www.colorado.gov/pacific/osc/fiscalprocedures. In addition to the Fiscal Procedures Manual, many other resources are available on our website. We, at the Office of the State Controller, hope you will find these resources valuable.

Best wishes for a successful open/close. Thank you for your continued cooperation and support.

Sincerely,

Robert Jaros, CPA, MBA, JD
State Controller

Chapter 1: Section 1
1.1 Audit Risk Letter

MEMORANDUM

Date: March 2018

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

From: Dianne E. Ray, CPA
State Auditor

FISCAL YEAR 2018 STATEWIDE FINANCIAL AND COMPLIANCE AUDIT OF THE STATE OF COLORADO IDENTIFIED RISK AREAS

We have begun our Fiscal Year 2018 Statewide Financial and Compliance Audit of the State of Colorado and have met or will be meeting soon with many of you to hold our audit entrance conferences.

Our Fiscal Year 2018 audit will include the performance of audit procedures required by generally accepted auditing standards and Government Auditing Standards, reviews of departments’ and institutions’ compliance with selected state and federal laws, and the performance of entity specific audit procedures to address other key financial areas. We will also follow up on prior-year audit findings and recommendations.

The purpose of this memorandum is to advise departments and institutions of key areas that have been preliminarily identified for audit testing. Some of the specific areas of focus of the Fiscal Year 2018 audit include, but are not limited to:
Chapter 1: Section 1

- **INTERNAL CONTROLS OVER FINANCIAL REPORTING AND OTHER MATTERS.**
  Internal controls over financial reporting should reduce the risk of errors and/or fraud, and provide reasonable assurance that financial reporting is reliable, accurate, timely, and complete. Internal controls should ensure operations are performed effectively and efficiently, and that departments and institutions comply with state laws, rules and regulations.

  > Our Fiscal Year 2017 audit identified weaknesses in various internal control areas over financial activities and reporting. For example, we identified problems with departments’ and institutions’ internal controls over audit areas including revenues, inventories, capital assets, payroll, pension standards, labor allocations and interest earning calculations. We made a total of 47 recommendations in Fiscal Year 2017 related to financial reporting. Of these 47 recommendations, 17 were considered material weaknesses and 30 were significant deficiencies. A material weakness is the most serious level of internal control weakness, such that there is a reasonable possibility of a material misstatement to the entity’s financial statements or of material noncompliance with a federal program that will not be prevented, or detected and corrected, in a timely manner. A significant deficiency is less severe than a “material weakness,” but is still a high level internal control weakness and warrants attention by those charged with governance.

  > The Office of the State Controller (OSC) establishes standard policies and procedures that must be followed by state departments and institutions. In order for the State to issue its Comprehensive Annual Financial Report in a timely manner, departments and institutions must complete fiscal year-end closing activities within the timeframes established by the OSC. We identified several departments and institutions that did not meet due dates for submission of exhibits.

- **INTERNAL CONTROLS OVER COMPLIANCE WITH FEDERAL PROGRAM REQUIREMENTS AND FEDERAL REPORTING.** The State’s administration of federal grants continues to be a risk area due to the large number and varied requirements of federal grant awards the State receives. Departments and institutions receiving federal funds are responsible for being aware of and complying with the related requirements in the federal Office of Management and Budget’s Uniform Guidance, Title 2 – Grants and Agreements Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
As a result of our Fiscal Year 2017 audit, we identified internal control and/or compliance issues with 12 of 18 individual federal programs or program clusters tested. In total, we made 25 audit recommendations related to federal program compliance and reporting. Of these 25 recommendations, 9 were considered material weaknesses and 16 were significant deficiencies in internal control over compliance.

Due to the number of previous fiscal year audit findings related to federal program requirements and the complexity of Uniform Guidance requirements, we consider federal grants to be a high risk for our Fiscal Year 2018 audit.

- **REVIEW AND OVERSIGHT.** Review processes should be in place over accounting processes to detect and prevent errors and lessen the chance of potential misstatement or fraud.

- In our Fiscal Year 2017 audit, we continued to identify a lack of adequate review procedures over basic accounting processes such as reconciliations, exhibits, payment vouchers, journal vouchers, and payroll, and instances in which reviewers had not been adequately trained.

- **INTERNAL CONTROLS OVER INFORMATION TECHNOLOGY SYSTEMS.** State departments and institutions, in cooperation with the Governor’s Office of Information Technology, are responsible for implementing, maintaining, and adequately securing the State’s computer systems.

- We determined that some State departments’ internal controls over department-specific IT systems did not comply with information technology and information security related standards and/or the Colorado Information Security Policies and OIT Cyber Policies.

- The Colorado Operations Resource Engine (CORE), the State’s financial accounting system, is in its fourth year of implementation and remains a risk area for our Fiscal Year 2018 audit. We will be performing audit procedures related to and on CORE. Our procedures will include, but may not be limited to, testing overall internal controls and processes related to the completeness, classification, and accuracy of data in CORE; chart of accounts processes; reporting; and reconciliations between CORE and underlying financial records and other systems.
Office of the State Auditor
Page 4

We are preliminarily planning to complete our Fiscal Year 2018 financial audit and issue our opinion on the State’s Comprehensive Annual Financial Report (CAFR) in December 2018. However, this timing could change depending on the receipt of necessary information and financial reports related to our testing. It will continue to be critical for state departments and institutions to meet OSC deadlines in order to help ensure that the OSC has the necessary information to complete the Basic Financial Statements and CAFR in accordance with State statutes and in a timely manner.

With this list of preliminary audit risks, we anticipate that Fiscal Year 2018 will continue to present a challenge for those of you closest to the audit. We want to be mindful of your time constraints and balancing that with keeping the audit on track for completion in December. Thank you for the work that you do and for your assistance in completing the State’s audit.

If you have questions about the audit process, please feel free to contact your assigned audit staff.

1.2 FY2018 Closing and FY2019 Opening Highlights

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

1. TABOR Revenue must be recorded and Exhibits A1 or A2 (if applicable) must be submitted by August 15.

2. A new chapter entitled “State of Colorado Accounting Organization” discussing the state’s accounting reporting relationships was added (Chapter 1, Section 3)

3. The section on internal transfer documents was updated to include the use of GAE documents (Chapter 1, Section 3.2)

4. A new section was added related to revenue for multiple departments operating out of the same fund (Chapter 1, Section 3.4)

5. All Long Bill Federal Funds will be treated as informational, unless specifically identified as appropriated in the headnotes, whether “I” noted or not; and the requirements for requesting estimated Federal spending authority were updated (Chapter 2, Section 2.6)

6. A chart was added to help clarify the request and booking of spending authority related to grants and contracts (Chapter 2, Section 2.12)
7. Rollforward policies and procedures were updated to include, but not limited to, changes related to not requiring a change to appropriation units from the old year to the new year, clarification of rollforward circumstances, allowing electronic signature on the rollforward form, and the addition of CCI’s ordering schedule (See Chapter 3, Section 2).

8. The section on Accounts Payable Accruals was updated in relation to over accruals on grants (See Chapter 3, Section 3.2).

9. The Intra/Interfund Receivable/Payable Confirmation Process, also in the exhibit instructions, was added to the Fiscal Procedures Manual (See Chapter 3, Section 3.17).

10. The section on Specifying Contractor and Subrecipient Relationship was expanded to include the State’s definition of a grant and contract as well as the implications of each (See Chapter 3, Section 3.32). Guidance has been added for the use of Fund Balance Accounts 340A, 340P, and 340E and the clearing of those accounts to 3400 in the next year (see Chapter 3, Section 3.36).

11. Information related to the following GASB pronouncements was added:
   - GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – (See Chapter 3, Section 6)
   - GASB Statement No. 81 – Irrevocable Split-Interest Agreements – (See Chapter 3, Section 6)
   - GASB Statement No. 85 – Omnibus 2017 – (See Chapter 3, Section 6)
   - GASB Statement No. 86 – Certain Debt Extinguishment Issues – (See Chapter 3, Section 6)

12. The section on Capital Construction was re-written for clarity, and also includes updates to chargeable costs to an IT project, the use of a GAE document to encumber personal services costs on a IT project for an expiring project, Noncapitalizable EM projects, and future year funding of projects per Section 24-30-1310 C.R.S. (Chapter 4, Section 1).

13. The section on Transferring of Capital Assets was updated, including the CORE FAIT document’s use (Chapter 4, Section 2.9).

14. Three reports were added to the infoAdvantage chapter (Chapter 5, Section 1.1).

15. For FY2018 all institutions except the Auraria Higher Education Center (AHEC) are expected to fully qualify as TABOR enterprises and operate in Fund 320X; Western State Colorado University will re-qualify. AHEC has been designated as a partial TABOR enterprise and operates in both Funds 305X and 320X. (See Chapter 5, Section 5.7)

16. Beginning FY2019 journal entries to transfer operating activity between funds 305X and 320X should use BSA 340E – Equity Transfer, as the offset for balance sheet accounts. (See Chapter 5, Section 5.8)

17. The section on the Cash Funds Uncommitted Reserves report has been updated with current funds excluded, and updated procedures related to funds out of compliance for 3 or more consecutive years, including restrictions (See Chapter 5, Section 7).

18. In the section on Statewide Security, wording was added to address the requirement for Security Administrators on limiting access and perform a certification during Quarterly Reporting. (Chapter 8, Section 1)

19. The prior Vendor Management section was renamed to Vendor Administration and the body of the text was rearranged (Chapter 9, Section 1).
1.3 Department Planning Guidelines and Checklist for FY2018 Closing and FY2019 Opening Activities
To ensure a successful close, adequate planning and scheduling of year-end activities are critical to departments. It is imperative that agencies plan and complete critical tasks early in the year and monitor year-end activities closely. Planning guidelines and task lists have been designed to give departments helpful suggestions for developing plans to complete both current year closing and new-year opening activities. The guidelines and checklist are available, each as a separate tab, in the FY2017_2018_Guidelines_Checklist.xls document available on OSC’s website at the following link: https://www.colorado.gov/pacific/osc/fiscalprocedures.

1.4 Opening and Closing Calendar
A successful close is contingent upon departments completing task timely and accurately. The FY2018 Closing and FY2019 Opening calendar is available on OSC’s website at the following link: https://www.colorado.gov/pacific/osc/fiscalprocedures.

1.5 Abbreviations Used Throughout This Manual
BFS – Basic Financial Statements
CAFR – Comprehensive Annual Financial Report
CCS – Central Collection Services
CDC – Capital Development Committee
CFDA – Catalog of Federal Domestic Assistance
COFRS – Colorado Financial Reporting System
COPs – Certificates of Participation
CORE – Colorado Operations Resource Engine
CPPS – Colorado Personnel Payroll System
DHE – Department of Higher Education
DUNS – Data Universal Numbering System Number
ESRC – Excess State Revenues Cap
FAR – Financial Analysis and Reporting Section of the OSC
FASB – Financial Accounting Standards Board
FDW – Financial Data Warehouse
FFATA – Federal Funding Accountability and Transparency Act
FSU – Financial Services Unit of the OSC
GAAP – Generally Accepted Accounting Principles
GASB – Governmental Accounting Standards Board
IBNR – Incurred But Not Reported
JBC – Joint Budget Committee
JTC – Joint Technology Committee
NYTI – New Year Table Initialization
OIT – Governor’s Office of Information Technology
OMB – Office of Management and Budget
OSA – Office of the State Auditor
OSC – Office of the State Controller
OSPB – Office of State Planning and Budgeting
PERA – Public Employees Retirement Association
POTS – Personal Services, Operating, Travel, and Special Items
RSRC – Revenue Source Code
SAI – Spending Authority Indicator
SAS – Statements on Auditing Standards
TOPS – Transparency Online Project System
CHAPTER 1: SECTION 2
GENERAL INFORMATION

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

2.1 CORE

Colorado Operations Resource Engine (CORE) is a financial management system that is the single source of data for the majority of the State’s financial operations. By integrating the State’s accounting, budget, and procurement functions, CORE enables seamless operations and reliability of data. Through its key functions, CORE ensures the state is able to meet its long-standing commitment to fiscal discipline, financial accountability, government transparency, and cost benefit controls. See the CORE website for more information including CORE Governance, Forms, Access, Training and Resources, Vendor Self Services, and User Support.

2.2 CORE Hours of Operation

The CORE system including infoAdvantage is generally available Monday-Friday by 6:30 a.m. to 8 p.m. The system is also frequently available on weekends during the same hours, except when monthly or intermittent maintenance activities occur. For the most current information regarding system availability visit the CORE website.

2.3 Accounting Periods

CORE has 16 regular Accounting Periods as shown below:

<table>
<thead>
<tr>
<th>Period</th>
<th>Close</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-12</td>
<td>July-June</td>
<td>Normal Monthly Accounting Activity</td>
</tr>
<tr>
<td>13</td>
<td>August 3</td>
<td>Department Close</td>
</tr>
<tr>
<td>14</td>
<td>August 15</td>
<td>Statutory OSC Close</td>
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<tr>
<td>15</td>
<td>September 20</td>
<td>BFS Close</td>
</tr>
<tr>
<td>16</td>
<td>Audit opinion date</td>
<td>CAFR Close</td>
</tr>
</tbody>
</table>

CORE has two additional periods for OSC financial statement presentation entries. For departmental purposes, Period 14 represents the State's statutory close and Period 16 represents the final audited close.

2.4 Document Availability

The following are the last dates for processing CORE documents.

<table>
<thead>
<tr>
<th>Document Code</th>
<th>Description</th>
<th>Last Date Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>CI</td>
<td>Stock Issue Confirmation</td>
<td>30-Jun</td>
</tr>
<tr>
<td>OC</td>
<td>Over the Counter Stock Issue</td>
<td>30-Jun</td>
</tr>
<tr>
<td>SN</td>
<td>Stock Return</td>
<td>30-Jun</td>
</tr>
<tr>
<td>TR</td>
<td>Stock Transfer Receipt</td>
<td>30-Jun</td>
</tr>
<tr>
<td>UR</td>
<td>Universal Requestor</td>
<td>30-Jun</td>
</tr>
</tbody>
</table>
Inventory related documents (CI, IA, OC, SN, SRQ, SRQ1 and TR) will be active through the end of period 12 to finalize / approve / clean up pending documents. Any new stock requisitions (SRQ) which will be delivered after 7/1 should be treated as new year transactions.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
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<td>Manual Accrual Clearing</td>
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<td>Automated Disbursement</td>
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<td>Contract</td>
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</tr>
<tr>
<td>RE</td>
<td>Receivable</td>
<td>P16</td>
</tr>
</tbody>
</table>

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

- **July 1 through Period 14 Close**
  ITI/ITA and IET documents can be processed without restriction between departments during this period, with the exception of interactions with higher education institutions which must be completed by the date in the open/close calendar. These transactions offset cash.

- **Period 15 and After**
  Departmental entries to redistribute Treasury pooled cash are not allowable after Period 14 close. Any adjustments must be recorded offsetting payables and receivables and require the submission of a payable/receivable confirmation form.

### 2.5 Automatic Document Submission Workbook Upload Functionality
Some documents may be uploaded through an Automatic Document Submission (ADS) spreadsheet. Once documents are loaded in this manner they follow the same workflow path had the document been entered manually. Available ADS spreadsheets and troubleshooting guides can be located on the CORE website.

### 2.6 Central Document Approval
During the fiscal year, Periods 1 through 13, central OSC approval is required for:
- JV1ADVN - Journal Voucher transactions containing Treasury Pooled Cash or Fund Balance/Net Position
- JV1STND - Journal Voucher transactions with Event Type XG30 for authorized use of fund balance in the General and Capital Construction Fund
- BGA90 and BGA91 - Budget Documents

Beginning with Period 14, all documents route centrally for OSC approval.

### 2.7 Assignment of Document ID Numbers
Documents are automatically numbered in CORE, i.e., a department cannot manually enter the Document ID. Many documents have been configured to allow for prefixing. In those cases, a user enters the prefix into the Document ID field and the system automatically populates the remaining numbers. The prefix settings are maintained on the ADNT table in CORE. The fiscal year indicator in the ID number generally refers to the fiscal year in which the document is processed. As a result, a document with a "2019" ID number can impact Fiscal Year (FY) and Budget Fiscal Year (BFY) 2018. The OSC CORE Operations unit is responsible for configuration of document numbering or ADNT entries.

### 2.8 Recording Documents in the Correct Fiscal Year
The State operates in two fiscal years during the period from July 1 through the close of Period 16. Therefore, for financial statement purposes, it is important to ensure transactions are dated and recorded in the correct budget fiscal year and fiscal year. When entering transactions during this time, please verify that the budget fiscal year, fiscal year, transaction date, and accounting period correspond to the budget fiscal year and fiscal year in which the transaction applies. Please note that these dates will not necessarily coincide with the date included in the document ID as mentioned above. The date in the document ID (i.e., 18, 2018, 19, or 2019) is based on CORE’s current system date, which can result in FY2018 transactions with a 2019 document number.
On July 1, CORE starts a new fiscal year. Transactions with a blank FY, BFY and Period will default to FY2019, BFY2019, Period 1 based on the system date. Note that for documents in workflow without dates on June 30, the dates will auto populate upon approval to FY2019, BFY2019, Period 1. It is critical that all documents be reviewed to ensure that they post to the appropriate FY, BFY, and Period.

A few items to note about certain documents:

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

To post payments related to FY2018 between July 1st and Period 12 close, users must leave the record date blank and manually enter BFY2018, FY2018, and Period 12 on the document header.

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

The BFY, FY, and Period on the accounting line are inferred from the award document. Therefore, to post payments related to FY2018 between July 1st and Period 12 close, the IN document must reference an FY2018 award and users must enter a ‘Received Service To Date and From Date’ on the IN commodity line of June 30, 2018 or prior (which must also match the dates on the award).

**ITAs**

For an ITA to process in FY2018, the ITI must be processed in FY/BFY 2018 and users must manually enter a record date of 6/30/2018 or prior on the ITA. To correct an ITA that posted to FY2019, but should have posted to FY2018, users will need to discard the ITA then copy forward again from the ITI to create a new ITA and enter a record date of June 30, 2018 or prior.

**CRs**

CR and CR1 documents should have a record date of the date the money was deposited in the state's main operating account. The FY and BFY should match with the period that was open on that date. For example, a deposit in the operating account on June 25, 2018 would have a CR/CR1 header record date of June 25, 2018 and a header FY and BFY of 2018 and Period of 12. A deposit in the operating account on July 1, 2018 would have a CR/CR1 header record date of July 1, 2018 and a header FY and BFY of 2019 and a period of 1. All FY2018 CR/CR1’s must be submitted to Treasury by the day prior to Period 12 close. Any CR documents submitted after that time will be processed in FY2019, BFY2019. The BFY and FY must be the same.

### 2.9 Chart of Accounts

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

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

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

### 2.10 Ledgers Rolled after FY2018 Final Close

The beginning FY2019 balance sheet account balances will be established on the FY2019 online ledgers based on the FY2018 Period 16 final statutory close balance sheet amounts shortly after Period 16 close. For reporting purposes, beginning FY2019 account balances will be reflected in the FY2019 Period 1 month-end closing reports.
2.11 New Year Table Initialization

New year tables will be available in CORE when the New Year Table Initialization (NYTI) process is run to initialize tables for the new fiscal year. The NYTI job identifies all reference tables with either “Fiscal Year” or “Budget Fiscal Year” as a field, and then automatically creates a new-year reference table with the same information as the prior year, in the new year.

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

Most current year reference table updates that occur after the initial NYTI cycle will be automatically ported to the new year on a weekly basis through incremental NYTI cycles that are scheduled to run daily (M-F) through Period 14 close. The exception to these automatic updates is with deleted records; these must be done in both the current and the new year. Any updates after Period 14 must be also completed manually in both years.

2.12 Presence Budgetary Control

All funds in CORE, except Fund 4710, will be set at “presence control” for budgetary purposes during the first several months of the fiscal year to allow time for the recording of budgets. In order to process transactions against a budget line during this timeframe, at a minimum, a zero-dollar budget will be required. All funds, except Fund 4710 will be placed on “budget control” and when this occurs adequate budget must be recorded to generate a warrant. The date that the system will be placed on budget control is expected to be by the end of September, but will be communicated in advance.

2.13 Interim Modified Cash Basis of Accounting

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

2.14 Positive Coding of Expenditures and Revenue

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

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

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

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

2.16 Fiscal Contacts
The OSC publishes a Fiscal Officer and Department/Institution Head lists on its website. If any of the information on the site appears to be incorrect, please submit an update request to the dpa_FARmailbox@state.co.us. Requests should also be directed to this mailbox for changes to the Controller's distribution listservs.
CHAPTER 1: SECTION 3
STATE OF COLORADO ACCOUNTING ORGANIZATION

3.1 State of Colorado Government Overview

The State of Colorado Government includes three branches: Executive, Legislative, and Judicial. Within the Executive Branch, there are five elective officers including Governor, Lt. Governor, Attorney General, Secretary of State, and State Treasurer. The Executive Branch includes 19 principal departments as follows:

- Department of Agriculture (CDA)
- Department of Corrections (CDOC)
- Department of Education (CDE)
- Department of Health Care Policy and Financing (HCPF)
- Department of Higher Education (CDHE)
- Department of Human Services (CDHS)
- Department of Labor and Employment (CDLE)
- Department of Law (DOL)
- Department of Local Affairs (DOLA)
- Department of Military and Veterans Affairs (DMVA)
- Department of Natural Resources (CDNR)
- Department of Personnel and Administration (DPA)
- Department of Public Health and Environment (CDPHE)
- Department of Public Safety (CDPS)
- Department of Regulatory Agencies (DORA)
- Department of Revenue (DOR)
- Department of State (DOS)
- Department of Transportation (CDOT)
- Department of the Treasury (CDT)

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

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

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

The State of Colorado government does not include political subdivisions, such as counties and cities.
3.2 **State of Colorado Accounting Organization Overview**

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

3.3 **State of Colorado Accounting Organization Objectives**

- **Compliance** - Comply with applicable statutes, rules, and policies.
- **Internal Control** – Maintain an internal control environment that enhances sound business practices, clearly defines roles, responsibilities, and accountability, and provides for the prevention and detection of fraudulent activity.
- **GAAP** – Maintain accounting records in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with Governmental Accounting Standards Board (GASB) pronouncements.
- **Financial Reporting** – Provide accurate and relevant financial reports. Comply with State and Federal reporting requirements.
- **Budgetary Controls** – Utilize budgetary controls to ensure compliance with General Assembly appropriations. Prepare and monitor budget to actual variances.
- **Support each Department’s or Office’s mission and goals** – Accountants should support their department’s or office’s mission and goals.

3.4 **State of Colorado Accounting Organization Guiding Principles**

- **Professionalism** – Through training, education, and experience accountants should maintain and enhance their understanding of government accounting, the State’s accounting and budgeting policies and procedures, and the department’s or office’s accounting processes.
- **Integrity** – Accountants should perform their responsibilities with the highest sense of integrity. As State employees, accountants serve the public interest and are in a fiduciary position of public trust.
- **Objectivity** – Accountants should maintain objectivity and be free of conflicts of interest in performing their responsibilities.
- **Communication and Collaboration** – Accountants should communicate and work collaboratively with other accountants to improve the practices of accounting in the State.

3.5 **State of Colorado Office of the State Controller Overview**

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

The duties of the State Controller include, but are not limited to: keep in continuous touch with the operations, plans, and needs of departments and agencies of the state, and with the sources and amounts of revenue and other receipts of the state; examine and approve all statements and reports.
Chapter 1: Section 3

on the financial condition and estimated future financial condition of the operations of the state
government; coordinate all procedures for financial administration and financial control so as to
integrate them into an adequate and unified system; conduct all central accounting and fiscal
reporting for the state; maintain a current audit of all cash and receivables; pre-audit and control the
incurring of obligations; pre-audit all disbursements; issue warrants and checks; recover moneys
owing the state; collect accounts referred to the controller; and control all supply stocks, property,
and equipment.

The Office of the State Controller provides oversight of the State’s accounting organization. The
OSC issues rules, policies and procedures and provides general and specific guidance. Key
responsibilities of the OSC are to: pay employees and vendors; collect past due debts; record and
report revenues and expenses; prepare statewide financial reports; sign contracts and manage
procurements; and run the State’s financial system including security and workflow for the system.
The OSC includes six operating units: Financial Analysis & Reporting, Central Payroll, Central
Accounting & Vendor Management, State Purchasing & Contracts Office; CORE Operations, and
Central Collection Services.

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

3.6 State of Colorado Departments’ Accounting Offices Overview

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

a) Contract Approval and Signature Authority

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

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

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

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

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

d) Section 24-30-201(f), C.R.S. – System Security Administration
Each Department Controller is delegated the role of security administrator and is responsible for managing user access in CORE, the State’s financial system. Security administrators may delegate the responsibilities for entering and approving UDOCs to other members of their staff. Security administrators must only grant access required for a user’s job duties and must disable access for any user who has terminated employment with a department. Security administrators will comply with CORE Policies SWF.PO.01 User Access and SWF.PO.02 Security Role Administration.

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

e) Accounts Receivable – Collect all accounts receivable, referring past due debts to Central Collections Services as required by Section 24-30-201(1)(j), C.R.S.

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

3.7 State of Colorado Accounting Organization Shared Responsibilities

a) Internal Controls – Departments establish internal controls for their departments. The Office of the State Controller (OSC) provides oversight and guidance.

b) Payroll – For departments where payroll is in the accounting organization, prepare and approve all entries needed to run payroll including hours worked and compensation. The OSC runs payroll and handles all payments and reporting (e.g., IRS, PERA). As part of quarterly reporting requirements, departments provide quarterly certifications that payroll is reconciled monthly, and will submit summary schedules that tie to department reports to show the systems are in balance.

c) Disbursement – Departments enter vendors and prepare and approve payment documents. OSC approves vendor record set up, modifications to vendor records and oversees the disbursement process.

d) Budget – Most departments propose budgets to the Office of State Planning & Budgeting and all departments track expenditures compared with budget. The OSC ensures the budget is recorded in the State’s financial system and provides oversight on actual to budget expenditures.

e) General Ledger – Departments enter and approve transactions. The OSC monitors the general ledger and works with departments to make necessary adjustments.

f) Contracts and Grants – Departments sign low-risk state contracts, grants, interagency agreements, phase I waived contracts, and purchase orders in accordance with each department’s practices. The OSC signs high-risk contracts, develops and updates model agreements, and provides oversight and guidance.

g) Financial Reporting – Departments complete monthly closing, review diagnostic reports, make correcting entries, and complete exhibits. The OSC prepares statewide financial reports.

h) CORE – Departments enter transactions into CORE, participate on the CORE Governance Committee as members and on task forces, suggest improvements to CORE, and participate in upgrades to the system. Department assistance in these areas is subject to resource constraints and department management approval. The OSC provides help desk support for both the first level of support such as re-setting passwords, as well as second level of support involving more in-depth analysis of an issue, functional expertise, training materials and training delivery, management of CORE with the vendor, research, development and testing of CORE including upgrades, and oversight of the CORE Governance Committee.

i) Commercial Card – Departments must comply with the terms of the commercial card administrator agreement, and the State Controller Policy entitled, “Commercial Card Program.
Administrator.” The OSC provides oversight to the program, provides a commercial card manual, and monitors compliance.

j) Audits – Departments respond to audit requests from the Office of the State Auditor (OSA), as well as federal agencies. The OSC also responds to the OSA and federal auditors, as well as compiles and submits departments’ audit responses as part of the Single Audit filing.
CHAPTER 1: SECTION 4
INTERNAL TRANSACTIONS

4.1 General Background and Use

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

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

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

<table>
<thead>
<tr>
<th>Transaction Description</th>
<th>Buyer/Receiver</th>
<th>Seller/Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Sales &amp; Expenditure Reimbursements</td>
<td>Provider of Cash</td>
<td>Receiver of Cash</td>
</tr>
<tr>
<td>Transfers</td>
<td>Receiver of Cash</td>
<td>Provider of Cash</td>
</tr>
<tr>
<td>Grants (e.g., Federal subrecipient or State grant)</td>
<td>Receiver of Cash</td>
<td>Provider of Cash</td>
</tr>
<tr>
<td>Loans</td>
<td>Receiver of Cash</td>
<td>Provider of Cash</td>
</tr>
</tbody>
</table>

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

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

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

Departments should use internal transactions that involve event types which create receivables or payables, rather than cash (except for Event Type IN22) only at fiscal year-end when cash balances should not be updated. The OSC allows cash movement on internal transactions through Period 14 to minimize the necessity of using internal payable and receivable accounts. However,
if internal payable and receivable accounts are used, all balances must be confirmed on the OSC Internal Receivable/Payable Confirmation Form by the date specified in the open/close calendar. Receivable/Payable Event Types (IN21, IN31, and IN33) are to be used on internal transactions in lieu of event types with cash offsets. A subsequent internal transaction must be created in the new fiscal year to transfer cash, and clear the payable and receivable.

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

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

4.2 Document Types

Internal Exchange Transaction (IET) Document

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

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

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

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

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

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

General Accounting Encumbrance (GAE) Documents

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

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

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

4.3 Internal Document Types

Non-Exchange Transactions

Departments should use transfer codes (within object codes 7xxx and revenue source codes 9xxx) for payments from one cabinet/department to another, or between funds or appropriation types which do not involve the exchange of money for goods or services. These payments are generally of an involuntary nature and mandated by budget, statute, or other administrative requirements such as indirect cost recoveries. See Chapter 3, Section 3.16 for additional important information on internal transfers and the related chart of account elements.

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

Subrecipient and grant transactions with other state departments should not be confused with transfers, and therefore transfer accounts should not be used for these transactions. Departments should code disbursements to other state departments for federal or state grants to object codes 5770 or 5775, respectively. Recipients of federal or state grants as a subrecipient from another department should be coded to specific revenue source codes in the 75xx and 76xx ranges, respectively. Grant related advances from state sources should be coded to revenue source code 7312.

Exchange Transactions

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

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

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

4.4 Multiple Departments Spending out of One Fund

When there are multiple departments spending out of one fund, with revenue being earned by the “parent” department, and only expenditures being incurred by the “child” department, a deficit cash and deficit fund balance will occur in the “child” department’s fund. This is because no revenue is being earned by the “child.” To correct this, the “parent” will need to record transfer expense to the “child” and the “child” will need to record transfer revenue.
CHAPTER 2: SECTION 1
ENCUMBRANCES ISSUES

This section discusses the process for pre-encumbrance (RQS documents) and encumbrance transactions (PO, CT, etc. documents) for both the close of the old fiscal year and the opening of the new fiscal year. These processes include: (1) recording new-year pre-encumbrances and encumbrances prior to the opening of the new fiscal year, (2) encumbering for contracts prior to the opening of the new fiscal year, (3) the modification and roll of pre-encumbrances and encumbrances, and (4) rolling multi-year contracts.

1.1 New Year Encumbrance and Requisition Documents

Requisitions and encumbrances for the new fiscal year can be created after the new-year table initialization is run at the beginning of March and zero dollar budget lines are established. Prior to this set up, requisitions can be entered in the prior fiscal year and awarded in the new fiscal year using Event Types PR01 or PR02 on the requisition. If entering a requisition or award after the new year table initialization, users must enter period 1, the fiscal year, and budget fiscal year for the opening year on the header and accounting lines. Also enter the fiscal year in the document description field so that the requisition can be identified as a new year document in the procurement folder.

1.2 Encumbering New Year Contracts Prior to July 1

Regardless of source, the department shall enter new-year encumbrance documents into CORE for the amounts required to be encumbered for new year contracts. If the budget line has not yet been recorded, a zero dollar BGA document needs to be processed to establish and activate the budget line. For departments whose controllers have contract signature delegation and only for low risk contracts, the program or contract staff shall forward the encumbrance documents with the contracts to the department controller. The department controller may approve the encumbrance at their discretion without a sufficient custodial or statutory budget. For departments whose controllers lack contract signature delegation or for high risk contracts, the program or contract staff shall forward the encumbrance documents to the OSC and the OSC may approve the encumbrance at their discretion without a sufficient custodial or statutory budget. By entering the encumbrance document the department is asserting the funding and budgetary authority exists, and due to timing may or may not be recorded on the system. The department is responsible to take the necessary steps to book any remaining related budget before budget controls are activated.

1.3 Modification and Rollover of Encumbrances and Purchase Orders

All encumbrances and pre-encumbrances on current year appropriations should be reduced to zero on the CORE system at fiscal year-end either manually, by issuing payments, or through the roll/lapse and multi-year maintenance processes. Accounting based documents, such as journal vouchers, may not be used to clear encumbrance balances.

1.4 Encumbrance Roll/Lapse Process

Pre-Selection Considerations

- All open pre-encumbrance and encumbrance documents for the closing year will be populated on two pre-selection tables in CORE on the date specified in the closing calendar. These tables allow departments to flag encumbrances to roll or lapse as appropriate.

- In order for the pre-selection job to populate the pre-selection tables, departments must ensure all pre-encumbrance and encumbrance documents for the closing fiscal year have a
version that is final submitted (not in workflow) prior to the date the roll lapse pre-selection tables are populated in the closing calendar.

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

- Document modifications can be entered and approved between the time the pre-selection tables are populated and when the roll and lapse occurs. However, departments should make every effort to ensure any modification documents are final before the roll and lapse occurs. Modification documents in the pending phase will result in neither the original, nor the modification rolling to the new fiscal year. Modification documents in the draft phase will roll the most recent final version of the document, not the modification.

- Departments may also continue to make payments against encumbrances on the pre-selection tables after the tables are populated. While payments made during the pre-selection period will not be reflected on the pre-selection tables, they will be applied against the open amount when the roll is performed in CORE.

**Pre-Selection Process**

- **The lapse process is set by default to “lapse” open pre-encumbrances on accounting lines within RQS documents.** RQS pre-encumbrances on an accounting lines will lapse unless the department uses the pre-selection tables discussed below to roll the pre-encumbrance. Departments should roll open requisitions that will be awarded in the new year. If a requisition was lapsed before being awarded, the department will need to re-enter the requisition in the new-year and submit it through workflow.

- **The roll process is set by default to “roll” open encumbrances on accounting lines to the new-year within award documents (CT, CTGG1, GAE, DO, PO, POGG1).** If there is a balance outstanding (open balance) on an encumbrance on an accounting line, it will roll to the next fiscal year and establish an encumbrance in the new fiscal year appropriation unless the department lapses the accounting line. If you do not want the encumbrance to roll, you must make a manual entry to lapse it on the pre-selection tables.

- When the pre-selection tables have been populated, department users with the general accounting table maintenance security role or department procurement roll/lapse table maintenance security role must manually flag the appropriate encumbrances to roll by the date prescribed in the closing calendar.

- To access the pre-selection tables, enter page code RLPSD in the “Jump to” box in CORE. Alternatively, users may use the page search function and enter *Roll/Lapse* in the Description search box.

- The Roll/Lapse Detail Pre-Selection Table (RLPSD) allows departments to roll or lapse by accounting line. As described above, the pre-selection table only includes accounting lines with a positive open dollar amount in the closing fiscal year and the document is in final phase when the pre-selection table is populated. Departments should make every effort to ensure any prior year pending documents are final before this table is populated.

- On the Roll/Lapse Detail Pre-Selection Table (RLPSD), departments can search for encumbrances by document, accounting line, commodity line, department, vendor, fiscal year, or budget fiscal year. Departments should change the action to “Lapse” or “Roll” on each accounting line and the “Approve” box must be checked. After changing a page, use the Save button to save the changes made. Note, that all accounting lines for a single commodity
line must have the same action. Departments should not select “No Action” as this will neither lapse, nor roll the line. “Accrue” accrues the open balance on each accounting line of the encumbrance and should not be used as the accrue batch job will not be run this fiscal year-end close.

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

**Roll/Lapse Execution**

- Roll/Lapse will be executed on the date in the closing calendar. CORE will roll or lapse documents based on the actions specified on the pre-selection tables.
- CORE rolls documents by creating a new version of the prior year document with the budget fiscal year and the fiscal year for the new-year and accounting Period 1. Commodity based documents are lapsed with a Commodity Based Document Lapse (CBDL) document in the prior budget fiscal year and fiscal year. GAE documents are lapsed with an Accounting Based Document Lapse (ABDL) document.

**Post Roll/Lapse**

- After the roll process is run, departments should review the statewide report of rejected documents (to be distributed to departments) or look for rejected documents in the document catalog, correct the errors, and submit through workflow in a timely manner. Failure to correct rejected documents will leave open encumbrances in the closing fiscal year.
- Any remaining, open encumbrances in the closing after roll/lapse execution must be closed. CORE Operations will coordinate with departments and re-run the lapse job to close all remaining encumbrances. Departments may not use journal voucher documents in lieu of properly closing encumbrances.

### 1.5 Multi-Year Contract and GAE Maintenance

Multi-year contracts and general accounting encumbrances (GAE documents) may be established in the current year with lines for each of the subsequent years. Departments enter the full amount of the contract, but enter each out year on a different accounting line.

**Pre-Maintenance Considerations**

- The current year accounting line should use Event Type PR05, the current budget fiscal year, and the current fiscal year. The accounting lines for subsequent years will use a non-accounting Event Type (PR08), a future budget fiscal year, the current fiscal year, and reserved funding field set to “Yes.” It is critical that all out year lines have reserved funding set to “Yes.” If any of the out year lines are “No” and a payment is processed against the contract, the payment will be applied to the out year lines with reserved funding value of “No.”
- When the contract roll job is run as part of the end of encumbrance lapse/roll activities, all accounting lines with a event Type PR08 and a budget fiscal year that matches the upcoming year will be modified (in a new version of the document) so that:
  - The PR08 (non encumbering) Event Type is updated to a PR05 (encumbering) Event Type,
  - The reserved funding is updated to a value of “No” to allow for payments against
the accounting line, and

- The fiscal year and period entered before the contract maintenance are updated to the current values of the new fiscal year.

- PR08 Event Types are only to be used for an upcoming fiscal year if the intent is to establish those accounting lines as non-encumbering placeholders until the new fiscal year arrives.

- Documents containing accounting lines with PR08 Event Types must be in a status of “Final” (and not in workflow) when the contract maintenance job is processed or they will be missed by the contract maintenance process and will not be rolled into the new fiscal year as encumbering and payable lines.

- Accounting lines for subsequent years that were erroneously established with a reserved funding setting of “No” can be updated to reflect a reserved funding setting of “Yes” regardless of whether or not the document has gone through workflow to a “Final” status.

- Departments may use the encumbrance roll process in Section 1.4 above to roll the outstanding amount in the prior year in conjunction with the multi-year contract roll. After both the encumbrance roll and multi-year contract roll processes are run, there will be two lines on the contract in the new fiscal year, one for the closing fiscal year rolled amount and one for the multi-year contract roll amount.

**Maintenance Execution**

- When the roll is performed, CORE creates a new version of the document and increments the fiscal year on all out year lines where a non-accounting event type is used. This process will change the reserve funding field to “No” and change the non-accounting Event Type (PR08) to accounting (PR05) when the budget fiscal year matches the fiscal year. All other out years will remain as originally entered until control rolls for those years are performed.

**Post Maintenance**

- After the maintenance process is run, departments should review the statewide report of rejected documents (to be distributed to departments) or look for rejected documents in the document catalog, correct the errors, and submit through workflow in a timely manner.
CHAPTER 2: SECTION 2
FY 2018 BUDGET

2.1 CORE Budget Structures and Rollup Coding

Budget structures are used in CORE as a framework for determining the type of budget. There are 5 budget structures: Central: Legal Budget Structure (BGA90), Bottom Line Budget Structure (BGA91), Departmental: Optional Non-Legal (BGE92), Project (BGP93), and Grant (BGG94). Each structure must have at least one budget level.

The sources of funding for the Legal Budget Structure (BGA90) are identified in the Long Bill, by Long Bill Line. The sources of funding for the Bottom Line Budget Structure (BGA91) are identified in the Long Bill for a group of line items in total, not individually by line. This structure allows for more flexibility in applying revenues within the bottom line group.

Within each budget structure, there are 3 levels of reporting. Each line utilizes rollup coding, with more detail on the third level of both structures.

<table>
<thead>
<tr>
<th>Budget Structure</th>
<th>Level</th>
<th>Coding Elements</th>
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<tr>
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<tr>
<td></td>
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<tr>
<td>BGA91 (LB Bottom-line)</td>
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<td>Appr Category, Appr Class</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Appr Category, Appr Class, APPR Unit, Fund</td>
</tr>
</tbody>
</table>

- **Budget Coding Definitions:**

  **Appropriation Units (9 characters):** Appropriation Units are created by the OSC’s, Financial Services Unit (FSU), or a limited number of cabinet/department users. The first 5 characters of the Appropriation Unit are centrally defined by the Financial Services Unit, with the last 4 characters (Department Appropriation Code) at the department’s discretion (except for Miscellaneous General Revenue, which must be coded as “9999”). Appropriation rollup codes are created by the FSU, and are linked to the Appropriation Unit on the APPR screen. The rollups are then inferred on the various transaction documents based on the Appropriation Unit used. Although not all rollup codes are used by both central budget structures, all rollup codes are created for both structures to allow for additional reporting by the OSC. The following codes are used:

  **GCF Indicator (1 character):** Within the Appropriation Unit, Appropriation Group, and Appropriation Type, the second character of the code is the General/Cash/Federal (GCF) Indicator. This indicator identifies the nature of the appropriation, and is based on the Long Bill
column:

G: General.
X: General Exempt/Capital Construction
C: Cash
R: Reappropriated
F: Federal

For non-appropriated statutory budgets, the GCF indicator is generally C (Cash).

- **Appropriation Class (7 characters):** The Appropriation Class is required for BGA91 (Long Bill Bottom Line) and includes the Cabinet (1 character), Line Type Indicator (1 character), Long Bill Line Item (5 characters). There may be one or many Long Bill line items to a single funding source code. LB line items are established by the Financial Services Unit and are numeric for appropriated and alphanumeric for nonappropriated.

The Line Type Indicators are as follows:

**P: Personal Services.** This indicator is used for Long Bill Lines with the following titles: Group Health, Life, and Dental; Short-Term Disability Insurance; Amortization Equalization Disbursements; Supplemental Amortization Equalization Disbursements; Salary Survey, Shift Differential. At this time, Merit Pay is not included as Personal Services. This Line Type Indicator code will be used to prepare the Merit Pay Reversion and Calculation Report (see Chapter 3, Section 3.28)

**O: Operating Expenses.** This indicator is used for Long Bill lines with the words “Operating Expenses” in the title. This Line Type Indicator code will be used to prepare the Merit Pay Reversion and Calculation Report (see Chapter 3, Section 3.28).

**I: Indirect Costs.** This indicator is used for Long Bill lines with the words “Indirect Cost Assessment” in the title. This code will be used to prepare the Excess Indirect Cost Recovery Report (SB 13-309).

**G: Program Lines.** This indicator is used for Long Bill Lines that are not labeled as Personal Services, but are program lines that have FTE listed in the Long Bill cell.

**R: Other.** This indicator is used for Long Bill lines that are not applicable to P (Personal Services), O (Operating Expenses), I (Indirect Cost Assessment), or G (Program Lines). It is also used for capital construction, and non-Long Bill non-appropriated budget lines.

- **Appropriation Category (1 character):** This code designates if the budget line is appropriated, non-appropriated, or capital, with further designations for line item funding or bottom line funding.

**A: Appropriated (Structure BGA90) –** For Long Bill, Special Bills, or Supplemental Bills, any amount NOT treated as nonappropriated, should be coded as Appropriated.

**B: Appropriated (Structure BGA91) –** Noted by the OSC as “BL” in the coded Long Bill. Funding for bottom line funded items are recorded across GCF at the total line for the group, not at the line level.

**N: Nonappropriated (Structure BGA90) –** In Long Bill, Special Bills, and Supplemental Bills, line amounts with (I) Informational Only notation. Also, other items are coded as Nonappropriated if the amount is letternoted as “informational only,” even if no (I) notation exists. If noted as “continuously appropriated,” those budget lines should also be coded as nonappropriated. Based on the definitions in the Long Bill headnotes, all long bill lines in the federal column are considered informational only, whether an (I) note is included or not, except for LBLIs where specifically stated or (M) or (H)
headnoted.

**F: Nonappropriated (Structure BGA91)** – Noted by the OSC as “BL” in the coded Long Bill. Funding for bottom line funded items are recorded across GCF at the total line for the group, not at the line level. This includes amounts with (I) Information Only notation. Also, other items are coded as Nonappropriated if the amount is letternoted as “informational only,” even if no (I) notation exists. If noted as “continuously appropriated,” those budget lines should also be coded as nonappropriated. Based on the definitions in the Long Bill headnotes, all long bill lines in the federal column are considered informational only, whether an (I) note is included or not, except for LBLIs where specifically stated or (M) or (H) headnoted.

**C: Capital Appropriated (Structure BGA90)** – Capital amounts in the Long Bill, Special Bills, and Supplemental Bills, if not treated as nonappropriated should be coded as Capital Appropriated.

**D: Capital Appropriated (Structure BGA91)** – Capital amounts in the Long Bill, Special Bills, and Supplemental Bills, if not treated as nonappropriated, and noted by the OSC as “BL” in the coded Long Bill. Funding for bottom line funded items are recorded across GCF at the total line for the group, not at the line level.

**E: Capital Information Only (Structure BGA90)** – Capital amounts in the Long Bill, Special Bills, and Supplemental Bills, if (I) noted, should be coded as Capital Information Only.

- **Appropriation Type (5 characters)**: The Appropriation Type is required for budget structure BGA90 and includes Cabinet (1 character), GCF Indicator (1 character), and the Funding Source Code (3 characters), which is assigned to each line of the Long Bill. There may be one or many funding source codes for a single Long Bill Group. Funding Source Codes are established by the Financial Services Unit of the OSC and are generally alpha codes for appropriated lines and numeric for nonappropriated.

- **Appropriation Group (5 characters)**: The Appropriation Group is required for BGA91 (Long Bill Bottom Line) and includes Cabinet (1 character), GCF Indicator (1 character), Long Bill Group (3 characters). There may be one or many group accumulators to a single cabinet. These codes are established by the OSC’s Financial Services Unit.

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

Access to the APPR table (to create appropriation units) may be granted for up to 3 individuals per Cabinet using the security role D_GA_APPR_MAINT on the UDOC form. This access is only used to create an appropriation unit on the APPR table. The FSU will still be providing the rollup codes to be used for any appropriation unit. In order for this access to be approved, the individual will first need to attend a webinar provided by the FSU. Please contact dpa_FARmailbox@state.co.us if you are interested in this access. The FSU will review UDOCs requesting access to this role, and will periodically review the APPR table to ensure that those individuals with the APPR access are following the guidelines for creating appropriation units.

### 2.2 Spending Authority Indicators

All budget documents (structures BGA90 and BGA91) require a spending authority indicator
(SAI) code. This code is intended to identify the source of the spending authority and not the type of funding for the budget line. The SAI is essential to the production of statewide budget-to-actual statements and the OSC’s monthly budget reconciliation.

Spending Authority Indicator codes are as follows:

- **1 – LONG BILL** – This code is used for the initial recording of the operating portion of the Long Bill. It is also used by the OSC to record the capital construction portion of the Long Bill in the year it is signed by the Governor. This SAI code should also be used to reclassify any budget lines that were originally recorded in the Long Bill as “VSCF” – Various Sources of Cash, which needs to be removed prior to the end of the Fiscal Year. When reclassifying Fund VSCF, be sure to decrease Fund VSCF (BG01 and SAI1 if recorded with the Long Bill; BG03, SAI3 if recorded with a Supplemental Bill), and increase the new budget line (same BG01/SAI1, or BG03/SAI3). This entry should have no effect on the Event Type or SAI coding once complete.

Beginning with the CORE implementation, the activity for the Long Bill will be interfaced to CORE from the PB (Performance Budgeting) module during May and June. Once the Long Bill load occurs from PB into CORE, the FSU will send out the final coded long bill to Cabinets.

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

Once the Long Bill is booked, the Financial Services Unit will process budget documents to apply a federal Controller’s restriction for any federal lines with an (I) notation or specifically letter-noted as “informational only.” For federal information only cells, the spending authority will be established from approved federal awards, coded as Event Type BG03, SAI 4 (see below).

Add-ons to the Long Bill may not be interfaced from PB to CORE and may need to be processed manually by the department involved. Please specify the bill number and the words “add-on” on your budget document, and attach a copy of the bill page(s) that support your document.

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

If the department is aware of which long bill group the line will eventually be included in, that known appropriation group may be used, otherwise, the appropriation group for the cabinet and GCF with “Special Bill” in the title should be used.

Activity for new-year Special Bills are interfaced to CORE from the PB (Performance Budgeting) module once the bills are signed.

- **3 – SUPPLEMENTAL BILL** – This code is used for any spending authority that arises from a supplemental bill signed by the Governor that adds, reduces, or otherwise changes appropriation authority granted to a department by the Long Bill or a special bill. If this code is used, budget must be recorded in an appropriated (alpha) Long Bill line item code. This SAI code is used to record adjustments to a special bill included in a narrative section of a supplemental bill that is an actual adjustment to the spending authority and not a repeat of a special bill. It is also used to record items that are special bills, but effective in the current year, not the next year. This SAI code should also be used to record 1331 emergency supplemental approved by the JBC, the CDC, the OSPB, and the OSC, as applicable. When 1331 supplemental bills have been recorded, they
will need to be reversed in their entirety once the final supplemental bill has been processed and loaded to CORE. Please be sure to record this activity with a Budget Event Type of BG03. See Chapter 2, Section 3 for more information on 1331 supplemental bills.

Note on adjustments to memo federal appropriations in supplemental bills:

If a supplemental bill includes an increase in memo federal appropriations beyond what the department believes they need or will be able to support with a federal award, record the total increase and restrict the unsupported and/or unneeded amount.

If a supplemental includes a decrease to memo federal appropriation authority and there exists unsupported federal appropriation authority, reduce the appropriation to the unsupported amount or to the negative supplemental, whichever is less.

Activity for Supplemental Bills is interfaced to CORE from the Performance Budgeting (PB) module after the bills are signed. If the supplemental includes a change to federal informational only amounts, the FSU will adjust the controller's restriction accordingly.

Add-ons to supplemental bills may not be interfaced from PB to CORE and may need to be processed manually by the department involved. Please specify the bill number and the words “add-on” on your budget document, and attach a copy of the bill page(s) that support your document.

- **4 – CUSTODIAL** – This code is used to record any nonappropriated custodial funds. Custodial funds are defined as funds which are given to the State that can be specifically identified and set aside, which are for a specific purpose, for which the State is to act as a custodian, and which are not available for the general use of the state. Examples of custodial funds are federal funds, private gifts, grants or donations, and court awards. Gifts, grants and donations received for the general use of a state department are not considered custodial funds. Please refer to SAI 10 if your agency has statutory authority to receive and expend gifts, grants, donations and/or contracts. Please refer to Fiscal Rule 3-1 for a definition of grant contracts. Please be sure to record this activity with a Budget Event Type of BG03. This SAI code is used to establish spending authority for any federal amounts, where the original budget was recorded in the Long Bill as Informational Only and restricted by the OSC. Federal nonappropriated carryforwards are also processed with this SAI. For more information about these carryforwards, please see Section 2.9 of this chapter.

Proper use of this code includes:

- Recording federal awards that are either nonappropriated or Informational Only, or recording the amount of a federal award that is in excess of the memo appropriations in a legislative act (Long Bill, special bill, or supplemental).
- Recording nonappropriated gifts (gifts per definition in Section 24-77-102(6), C.R.S.) or the amount of a gift that is in excess of the appropriations in a legislative act (Long Bill, special bill, or supplemental) when use of the gift is restricted for a particular purpose by the donor.
- Recording the carry-forward of any of the two previously mentioned items into a subsequent fiscal year.
- Recording spending authority related to gifts, grants or donations received by a department for which the department acts as a trustee or agent and where the use of the funds have been restricted for a specific purpose. Statutory authority is not needed for the department to act in this capacity and expend custodial funds.
- Awards to the State by court action (any level of court), such as a settlement agreement.
- Recording and releasing restrictions when the original source of funding was custodial.

Improper use of this code includes:
- Recording gifts, grants and donations where the donor has not placed a restriction on the use of the funds (see SAI 10).
- Recording any item that has been appropriated.
- Recording any item that does not meet the definition of custodial funds.

Documentation required to support use of the code includes:
- A copy of a federal award document applicable for the period in which the appropriation authority is being requested and supporting the requested amount.
- A copy of a preliminary federal award document applicable for the period in which the appropriation authority is being requested. This may take the form of an official preliminary award, an amount specific letter from the granting agency, or a general intent to fund letter from the granting agency.
- A copy of a contract or court award from another state agency which identifies that the funds being received by the requesting agency have been granted to them, for the applicable period, and indicating that the funds are 100 percent federal pass-through.
- Evidence (copy of a check, CR document, warrant, award letter, etc.) of a nonappropriated, nonstatutorily authorized gift, grant or donation.
- Court award or settlement document.
- Documentation of any previous period expenditures of the funds for awards with budget/award periods that cross state fiscal periods. Possible sources for this item are BGA90/BGA91 and/or grant/project-level screen prints. Any activity related to federal nonappropriated budget lines will be processed by FSU by the date outlined in the open/close calendar.

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

Proper use of this code includes:
- Recording any general, general exempt, cash, or reappropriated appropriation for which the State Controller has approved a rollforward from one fiscal year to the next. Improper use of this code includes:
- Recording the carryforward of multi-year appropriations (i.e. capital construction – see SAI 8) or the carryforward of custodial funds (see SAI 4).
Documentation required to support use of this code includes:

- State Controller approval of the rollforward document.
- Evidence that the amount requested is actually available (i.e. BQ90LV3/BQ91LV3 screen prints).

- **6 - CAPITAL CONSTRUCTION REVERSIONS** – Use this code when recording decreases in appropriated capital construction projects for the purpose of appropriation close-out/reversion. This is the only appropriate use. This code is primarily used in Fund 4610. Please contact your Financial Services Unit specialist for use in other funds. For additional information on capital construction reversions see Chapter 4, Section 1.

- **7 - TRANSFERS** – Use this code when allocating appropriation authority for routine purposes. There must never be a net impact, either increase or decrease, on total appropriation authority at the statewide level. This code may be used in either an appropriated (numeric) or nonappropriated Long Bill line item code.

Proper use of this code includes:

- Recording the allocation of “centralized appropriation” items as defined in the headnotes to the Long Bill.
- Moving appropriation authority among appropriation codes within a single long bill line item.
- Recording allocations of appropriations made to one department which are intended to be utilized at another department (i.e., salary survey appropriation to the Department of Personnel).
- Recording transfers of controlled maintenance appropriations approved by the Office of the State Architect.
- Recording transfers authorized by statute other than Section 24-75-108 to 110, C.R.S.
- Recording transfers authorized by long bill footnote.
- Recording zero-dollar BGA documents for activating a budget line or revenue source code regardless of funding source.

Improper use of this code includes:

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

Documentation required to support use of the code includes:

- Documentation (or a statement that documentation is on file at the department) of actual group health, dental and life or short-term disability expenditures.
- Indication that appropriation codes used are in the same line item (i.e., through review of BQ90LV3/BQ91LV3 budget screens other means of determining Long Bill lines).
- Documentation that amount is available to transfer from one line item to another.
- Legislative intent that an appropriation to one department is to be used by another department and the amount intended to be used; such as letter note in an appropriations bill.
- Properly approved State Building’s form SC4.1.

8 - CAPITAL CONSTRUCTION CARRYFORWARDS – Use this code to record the encumbered portion of a capital construction project appropriation that is available in the current fiscal year related to expired projects. Note that carryforwards within the three year availability period will occur in an automated fashion by the OSC after Period 14 close (see the open/close calendar for the date).

Carryforwards are calculated based on the Fiscal Year for the spending authority and the expenditure amounts (not Budget Fiscal Year). This is to keep carryforwards in sync with the financial statements, which are based on the Fiscal Year.

- If a project is expiring in the current year, a carryforward will not be processed by the OSC. For expiring/expired projects with valid encumbrances recorded, see Chapter 4, section 1. Proper use of this code includes:
  - Recording the unexpended balance of capital construction projects appropriated in prior years that have not expired (three year capital construction appropriation life).
  - Recording the unexpended but properly encumbered balance of expired capital construction projects.

Improper use of this code includes:

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

Documentation required to support use of this code includes:

- InfoAdvantage OSC-019 - Capital Construction Reversions and Carryforwards Report and evidence of valid outstanding encumbrances, or list of encumbrance documents in CORE or other systems for institutions of higher education. Documents must clearly show the date encumbered, or that the amount was encumbered by the required date.

9 – YEAR-END OSPB-APPROVED TRANSFERS – Use this code to record the OSPB approved transfers around year-end. An approved form, signed by OSPB, must be attached to the BGA document. See Chapter 3, Section 1 for more instructions.

10 – STATUTORY – Use this code to record appropriation authority based in substantive statute. The statutory authority may or may not be specific in dollar amounts. Be sure to provide the statute citation in the House Bill field of the BGA document.

Proper use of this code includes:

- Recording spending authority for gifts, grants and donations when ability to accept and expend these funds is authorized by statute.
• Recording spending authority for statutorily required distributions.
• Recording spending authority for casualty insurance reimbursements.
• Recording transfers to the capital construction fund required by statute and repeated in the headnotes to the Long Bill; including transfers from the General Fund and the Lottery.
• Recording spending authority in a fund necessary for the transfer of excess fund balance to any other fund when there is a statutory limitation on the fund’s fund balance.
• Recording of continuously appropriated spending authority (e.g. “The moneys in the fund are hereby continuously appropriated to the board for the purposes of this part 6).
• Recording amounts authorized through a Governor’s Executive Order where the Governor is specifically allowed by statute to authorize spending.
• Recording and releasing restrictions when the original source of funding was statutory.

Improper use of this code includes:
• Recording any gifts, grants or donation received when statutory authorization does not exist to receive and expend those funds.
• Recording appropriation specifically authorized through legislative appropriation action (Long Bill, special bill, or supplemental) that is not based in substantive statute.
• Recording most federal funds (limited instances of federal funds are specifically authorized in statute).

Documentation required to support use of this code includes:
• Statutory cite being used to support spending authority request.
• Documentation of nonappropriated statutorily authorized gift, grant or donation (or amount in excess of appropriation).
• Evidence of insurance settlement (Section 24-30-202(21), C.R.S.).

• 11 - INFERRED APPROPRIATION – Use this code when appropriation authority is needed to execute a transfer of revenues from one fund to another fund where the “parent” department who earns the revenue does not have a specific appropriation to make the transfer, but the “child” department has received an appropriation to spend from the fund. This activity should be used in support of cash appropriations. All spending authority recorded using this SAI must be recorded in a nonappropriated appropriation category.

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

Proper use of this code includes:
• Recording spending authority to execute a transfer required to support an appropriation in another area (Long Bill headnote Section 2(1)(e)(IV)). In situations related to the
headnote, there must be a corresponding and equal appropriation to justify the amount.

- Recording appropriation authority to make disbursements to outside parties when legislative appropriation is made to a different fund or cabinet from where the actual disbursement occurs.

Improper use of this code includes:

- Recording spending authority for reversion purposes.
- Intra-cabinet activity, as the actual cash fund must be used instead.

Documentation required to support use of this code includes:

- Evidence of appropriation intended to be supported from the transferring source. This can include letternotes or footnotes contained in the Long Bill or supplemental bills or legislative intent specified in special bills.

- **12-16 – DEPARTMENTAL RESTRICTIONS** – These codes are used for recording departmental restrictions against the budget line, and are added and removed at the department’s discretion. All restrictions are decreases of budget when placed, and increase of budget when removed. Event Type “BG03” must be used with all restrictions.
  - SAI 12 – General Fund Restriction - Departmental
  - SAI 13 – General Fund Exempt Restriction - Departmental
  - SAI 14 – Cash Fund Restriction - Departmental
  - SAI 15 – Reappropriated Fund Restriction - Departmental
  - SAI 16 – Federal Fund Restriction - Departmental

- **17-21 – CONTROLLER’S RESTRICTIONS** – These codes are used for recording Controller’s restrictions against the budget line. These restrictions are added and removed at the Controller’s Office discretion. All restrictions are decreases of budget when placed, and increases of budget when removed. Event Type “BG03” must be used with all restrictions.
  - SAI 17 – General Fund Restriction – Controller
  - SAI 18 – General Fund Exempt Restriction – Controller
  - SAI 19 – Cash Fund Restriction – Controller
  - SAI 20 – Reappropriated Fund Restriction – Controller
  - SAI 21 – Federal Controller’s Restriction

- **22-26 – GOVERNOR’S RESTRICTIONS** – These codes are used for recording Governor's restrictions against the budget line. These restrictions are mandated by the Governor’s Office. All restrictions are decreases of budget when placed, and increases of budget when removed. Event Type “BG03” must be used with all restrictions.
  - SAI 22 – General Governor’s Restriction
  - SAI 23 – General Exempt Governor’s Restriction
  - SAI 24 – Cash Governor’s Restriction
  - SAI 25 – Reappropriated Governor’s Restriction
• SAI 26 – Federal Governor’s Restriction

• **27-31 – OVEREXPENDITURE RESTRICTIONS** – These codes are used for recording Overexpenditure restrictions against the budget line. All restrictions are decreases of budget when placed, and increases of budget when removed. Event Type “BG03” must be used with all restrictions.
  - SAI 27 – General Overexpenditure Restriction
  - SAI 28 – General Fund Exempt Overexpenditure Restriction
  - SAI 29 – Cash Fund Overexpenditure Restriction
  - SAI 30 – Reappropriated Fund Overexpenditure Restriction
  - SAI 31 – Federal Fund Overexpenditure Restriction

• **32-38 – POTS** – These codes are used for allocating POTS across budget lines. Use Budget Event Types BG06/BG07 for transfers within the same budget structure and BG03 for transfers between budget structure 90/91.
  - SAI 32 – Salary Survey
  - SAI 33 – Merit Pay
  - SAI 34 – Health, Life, Dental (HLD)
  - SAI 35 – Amortization Equalization Disbursement (AED)
  - SAI 36 – Supplemental Amortization Equalization Disbursement (SAED)
  - SAI 37 – Short-term Disability (STD)
  - SAI 38 – Shift Differential

**Summary of Spending Authority Indicators:**

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</tr>
<tr>
<td>2</td>
<td>Special Bills</td>
<td>10</td>
<td>Statutory</td>
</tr>
<tr>
<td>3</td>
<td>Supplemental Bills</td>
<td>11</td>
<td>Implied</td>
</tr>
<tr>
<td>4</td>
<td>Custodial</td>
<td>12-16</td>
<td>Departmental Restrictions</td>
</tr>
<tr>
<td>5</td>
<td>Rollforwards</td>
<td>17-21</td>
<td>Controller Restrictions</td>
</tr>
<tr>
<td>6</td>
<td>Capital Reversions</td>
<td>22-26</td>
<td>Governor Restrictions</td>
</tr>
<tr>
<td>7</td>
<td>Transfers</td>
<td>27-31</td>
<td>Overexpenditure Restrictions</td>
</tr>
<tr>
<td>8</td>
<td>Capital Carryforwards</td>
<td>32-38</td>
<td>POTS Transfers</td>
</tr>
</tbody>
</table>

**2.3 Recording the Long Bill**

The Long Bill for the new-year will be recorded in CORE using the Performance Budgeting (PB) module. This information is reviewed by the Departments at various points in PB. Once approved, the Office of State Planning and Budgeting will forward the data to begin the detailed review by the Office of the State Controller. When this review is complete, the data will be interfaced to CORE as finalized BGA90/91 documents. Requests for coding for appropriation units and rollup codes should be sent to dpa_FARmailbox@state.co.us, and will be handled by the Financial Services Unit staff. The Long Bill is recorded in CORE as Event Type BG01.
(Adopt), and SAI 1 (Long Bill). The target due date for this process is prior to June 30.

For more instruction on the Performance Budgeting process and PB guidance, please see the OSPB website https://sites.google.com/a/state.co.us/core-site/home.

### 2.4 Recording the Capital Construction Budget

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

### 2.5 Recording Regular Supplemental Bills

Supplemental Bills are recorded in CORE using the Performance Budgeting (PB) module. This data reviewed by the Departments, OSPB and OSC, and is interfaced to CORE as finalized BGA90/91 documents. Requests for coding for appropriation units and rollup codes should be sent to dpa_FARmailbox@state.co.us, and will be handled by Financial Services Unit staff. In most cases, this activity is recorded as Event Type BG03 (Amend) and SAI 3 (Supplemental). Any adjustments to federal informational-only budget amounts will also have a Controller’s Restriction (SAI 21). Add-ons to the Long Bill or any other supplemental bill may need to be processed manually by the department involved. Please specify the bill number and the words “add-on” on your budget document, and attach a copy of the bill page(s) that support your document.

For more instruction, see the OSPB website: https://sites.google.com/a/state.co.us/core-site/home.

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

### 2.6 Recording Special Bills

Special Bills will be interfaced in CORE in a similar way to the Long Bill. Requests for coding for appropriation units and rollup codes should be sent to dpa_FARmailbox@state.co.us. Special bills will be recorded in CORE as Event Type BG03 (Amend), and SAI 2 (Special Bills), referencing the applicable bill number. The target due date for this process is prior to June 30.

For more instruction, please see the OSPB website: https://sites.google.com/a/state.co.us/core-site/home.

### 2.7 Recording Federal Spending Authority

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

#### Long Bill Informational Only and Nonappropriated Federal Funds

Federal funds in the Long Bill are generally defined by the headnotes as informational only. In many cases, these are shown with an (I) notation, but beginning in FY2019 the OSC will be considering all federal funds to be informational only unless “M” or “H” headnoted, or specific block grants listed in the headnotes, . For any federal line that is considered informational only, the related spending authority is merely an estimate. All Federal funds (with the exception of the items listed in the headnotes) will be 100% restricted with a controller restriction (SAI 21) after the PB to CORE interface is complete. This document will be processed by the OSC. The criteria used for placing this restriction is any line items with an N or F appropriation category depending on the budget structure, and an “F” in the second character of the appropriation unit (GCF indicator). Spending authority will be recorded in one of two ways:  (1) an automated carryforward of unexpended federal budget from the prior year (see 2.9 below), or (2) submission of manual BGA documents as new federal awards are received (with proper documentation). The above mentioned restriction will remain in place, with additional spending authority recorded with SAI 4 – Custodial.
Estimates of Nonappropriated Federal Spending Authority
Since the implementation of CORE, the OSC’s general policy of not approving estimated federal spending authority was put in place to ensure that the budgets booked in CORE reflect “real” spending authority to the extent possible. However, in certain cases, it may be necessary for a department to request estimated federal spending authority, which is evaluated by the OSC on a case-by-case basis.

If you are requesting estimated federal spending authority, please provide the following (attached to the header of the budget document) for evaluation by the FSU:

- The past 2 complete fiscal years of grant awards (just the award pages are sufficient)
- Current year federal grant application, which clearly shows the amount being requested. If applicable, please also include the final allotment from the federal register.
- A written justification as to why the spending authority must be booked prior to receipt of the award document, and why the requested exception should be granted. Also, include justification for the amount of the estimate to be booked (generally limited to 75% of the amount requested/expected from the federal government.
- Any other relevant information or documentation that would be helpful for us to evaluate the request.

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

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

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

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

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

2.8 Recording Statutory Spending Authority
Cash statutory spending authority will require manual BGA document submission based on the criteria noted for spending authority indicator 10. If activity-based, please include “Activity-Based” in the description field, similar to federal funds discussed in Section 2.6. A true-up will generally not be necessary.
2.9 Underearnings in the General or Capital Construction Fund

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

2.10 Carry Forward of Spending Authority

After the close of Period 14, the FSU will prepare budget documents to carryforward any unspent spending authority related to Federal nonappropriated budget lines and for any unspent spending authority for continuing capital projects. These documents will be processed with BG04 (Carryforward) and SAI 4 (Custodial) for the Federal, nonappropriated lines, and BG04, SAI 8 (Capital Carryforward) for the capital construction lines. These types of carryforwards are calculated based on the fiscal year for both spending authority and expenditure amounts (not budget fiscal year), as to keep in sync with the State’s financial statements. Any associated restrictions will also be carried forward into the new year.

2.11 Policy about Changing Appropriation Unit Rollups

The OSC has limited the access to the APPR table, with instruction that rollups may not be changed for existing appropriation units. If you need to change a rollup code, a new appropriation unit with the appropriate coding will need to be created. Send an email to dpa_FARmailbox@state.co.us if new appropriation units or rollups are needed.

2.12 Zero Dollar Budget Roll Process

The automated process to create new budget lines for the new fiscal year occurs by the date identified in the open/close calendar. This process begins with the New Year Table Initialization (NYTI) process, which populates the new year appropriation units and rollups (and other fiscal year based chart of account codes), based on active chart of account codes in the prior year. Zero dollar budget lines for the new fiscal year are then created, based on existing budget lines in the prior year. New year documents are created at the budget line level (appropriation unit and fund) using Department 999A in the header, and are created in Draft status. Departments are given time to review these budget documents/ budget lines using the OSC-025 report in infoAdvantage, and notify the OSC any lines that are not needed in the new fiscal year, which are then discarded by the OSC. Once complete, CORE Operations processes the budget rollup and submits the existing documents to Final. Budget documents related to the zero dollar roll include “ZERO” and the new fiscal year at the start of the document ID.

2.13 Spending Authority for Grants and Contracts

If a department is the prime or initial recipient of monies directly from a Federal agency, the funds are always considered a grant, never a contract, for spending authority purposes. To obtain spending authority the department should reference the following table where the Agreement is “Grant” and the Source of Funds is “Federal.”

If a department is procuring goods or performing services for another department or accepting a grant from another department within the State, the procuring department or award receiving department can obtain spending authority depending on the funding source and statutory authority based on the table below. In the table below, a contract is where the procuring department provides certain goods or services but does not take on programmatic responsibilities. A grant is where the grantee assumes all of the programmatic duties and responsibilities from the other department. Note: Spending authority for court-ordered settlements is covered in Section 2.14.
### Agreement

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Source of Funds</th>
<th>Source of Spending Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract</td>
<td>Federal</td>
<td>No additional spending authority is granted beyond Long Bill or Statute that allows continuous spending authority.</td>
</tr>
<tr>
<td>Contract</td>
<td>Non-Federal (excludes court-ordered settlements)</td>
<td>No additional spending authority is granted beyond Long Bill or Statute that allows continuous spending authority.</td>
</tr>
<tr>
<td>Grant</td>
<td>Federal</td>
<td>Long Bill - if Appropriated</td>
</tr>
<tr>
<td>Grant</td>
<td>Non-Federal (excludes court-ordered settlements)</td>
<td>Long Bill - if Appropriated</td>
</tr>
</tbody>
</table>

*Documentation needed to obtain spending authority would be a copy of the grant/award

### 2.14 Spending Authority for Donations

The following provides guidance to departments for obtaining spending authority for donations defined as a gift to a public entity. Department controllers with OSC approval as necessary, have the responsibly for determination. Additional spending authority will be granted if the department has express statutory authority to accept and spend gifts and donations. The documentation needed to record spending authority is information such as a report from infoAdvantage showing the amount recoded as donation revenue.

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

### 2.15 Spending Authority for Court-Ordered Settlements

For any court-ordered settlements, spending authority will be granted to any pass-through department who is carrying out the responsibility of the settlement agreement, whether through a subrecipient or vendor relationship. However, in all cases an IA must be used between the two departments, and explicitly state the arrangement.
### 2.16 Spending Authority Event Type Matrix

To assist in document preparation, the following table indicates proper combinations of Spending Authority Indicators and Event Types.

<table>
<thead>
<tr>
<th>Event Type</th>
<th>BG01</th>
<th>BG03</th>
<th>BG04</th>
<th>BG06</th>
<th>BG07</th>
<th>BG08</th>
<th>BG10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authority</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ind.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Long Bill</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Special Bill</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Supplemental</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Custodial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5. Rollforward</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Capital Reversion</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Capital Carryforward</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>9. Year-End Transfer</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Statutory</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Implied/Inferred</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12-31 Restrictions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32-38 POTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Scenarios*

1. When correcting Long Bill errors or recording VSCF (Various Source of Cash Funds) changes. Simply reverse the initial document and re-enter with correct information.

<table>
<thead>
<tr>
<th>Matrix</th>
<th>SAI 1 and BG01 (Long Bill)</th>
<th>SAI 1 and BG03 (Supplemental Bill)</th>
</tr>
</thead>
</table>

2. When scenario includes VSCF and POTS transfers, please complete the following steps:

   *Step 2a.* Transfer VSCF to appropriate funds, using SAI 1 and BG01 (if from Long Bill), or SAI 3, BG03 (if from Supplemental Bill).

   *Step 2b.* After VSCF has been transferred out, complete the POTS transfer using SAI 32-38 and BG06/BG07 (or BG03 if POTS is crossing budget structures).

*Changes between FUNDS only OR* SAI 7 and BG06/BG07 OR SAI 7 and BG03

*Changes in Appr Unit only and LB was booked correctly initially, including splitting out a line into multiple appropriation units within the same line.*

### 2.17 Budget Error Messages

Error Code A5000 may be showing with 5 different budget-related error messages:

- Budget line not found for Fund Detail within Bottom Line Funding (A5000)
- Budget line not found for Fund Detail within Legal Budget (A5000)
- Budget line not found for Appropriation Unit within Legal Budget (A5000)
- Budget line not found for Long Bill within Legal Budget (A5000)

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

- Budget line not found for Dept/Majr Prog/Prog/Period/Fund Prfl/Fund Prty/Fund Line within Reimbursable Grant Budget (A5000)
When this error appears on a document, the department’s accounting/budget office should be contacted first because a budget document creating the budget line used in the document has not been approved by the OSC yet, or the budget line may have been deactivated by the department’s accounting/budget office for a specific reason.
CHAPTER 2: SECTION 3
REQUESTS FOR INTERIM SPENDING AUTHORITY AUTHORIZED BY SECTION 24-75-111, C.R.S.

3.1 Background
When the General Assembly is not in session, Section 24-75-111, C.R.S. establishes a process to provide appropriation authority to state agencies because of unforeseen circumstances. Specifically, the OSC may allow department overexpenditures when approved by the OSPB, as applicable; the CDC, if related to a capital construction project; the JTC, if related to an information technology project; and the JBC in anticipation of an approved supplemental appropriation. This process is for use in emergency situations only.

3.2 Process for Submitting Requests
The processes for submitting requests for both non-capital construction and capital construction follow.

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

Once complete, requests for interim spending authority are submitted to the OSPB for review and approval. Once approved by the OSPB, the requests are forwarded from the OSPB to the JTC (if related to information technology), and then to the JBC for review and approval. Requests for interim spending authority submitted by the Departments of Law, Treasury, and State, the Judicial Department, and the General Assembly may be submitted directly to the JTC (if related to information technology), or the JBC for review and approval.

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

The OSC reviews and approves requests for interim spending authority based on the following factors:

a. Nature of the unforeseen circumstances and verification that an overexpenditure will result if the request is not approved before a supplemental bill is passed.

b. Compliance of the request with all relevant statutes, including existing appropriations acts.

c. Approval by the required central oversight agencies (the OSPB, the CDC, the JTC, and the JBC).

Should a request be denied, the submitting department may submit a revised request.

Upon final approval by the State Controller, the FSU staff will provide the department with the
signed 1331 letter. The department should prepare the BGA90/91 document to record the new spending authority, attaching the signed letter to the header. A spending authority indicator of “3” should be used since the request will ultimately be approved by the General Assembly as a supplemental appropriation, and an Event Type of BG03 should be used. In addition, add “1331” or “HB98-1331” to the House Bill field in the BGA document.

3.2.2 Capital Construction Requests

For requests involving capital construction projects, requests should be completed as described above. (The CDC and the Office of the State Architect staff should be included in discussions as appropriate.) However, once approved by the OSPB, capital construction requests are submitted to the CDC for review and approval. Requests for the Departments of Law, Treasury, State, the Judicial Department, and the General Assembly may be submitted directly to the CDC for review and approval. Once approved by the CDC, the CDC forwards the request with a letter signifying the CDC approval to the JBC. The process followed by the JBC is the same as for noncapital construction requests outlined in the previous section. Upon final approval by the State Controller, the FSU staff will provide the department with the signed 1331 letter. The department should prepare a BGA90/91 document to record the new spending authority, attaching the signed letter to the header. A spending authority indicator of “3” should be used since the request will ultimately be approved by the General Assembly as a supplemental appropriation, and an Event Type of BG03 should be used. In addition, add “1331” or “HB98-1331” to the House Bill field in the BGA document.

3.2.3 Information Technology Budget Requests

For requests involving information technology, HB 15-1266 establishes a new process. The same process above in 3.2.1 is followed, except that immediately before the request is submitted to the JBC, it must be approved by the Joint Technology Committee (JTC). Upon final approval by the State Controller, the FSU staff will provide the department with the signed 1331 letter. The department should prepare a BGA90/91 document to record the new spending authority, attaching the signed letter to the header. A spending authority indicator of “3” should be used since the request will ultimately be approved by the General Assembly as a supplemental appropriation, and an Event Type of BG03 should be used. In addition, add “1331” or “HB98-1331” to the House Bill field in the BGA document.

3.3 Follow-up and Final Resolution

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

Once the department’s final supplemental bill/act has been signed and interfaced from PB to CORE, all BGA documents previously processed related to 1331 emergency supplementals will need to be reversed entirely (decreased). This is necessary regardless of whether the original request was ultimately approved as part of the final supplemental bill. Make sure to use the same Event Type (BG03) and SAI indicator (3) as the original document, and include “1331” or “HB98-1331” in the House Bill field. Include original document ID in the document description or document comments.
CHAPTER 3: SECTION 1
YEAR-END APPROPRIATION TRANSFERS AND
OVEREXPENDITURES

1.1 Statutory Authority for Appropriation Transfers and Overexpenditures

Colorado Revised Statutes (C.R.S.) contains two provisions intended to provide flexibility in dealing with overexpenditures. Section 24-75-108, C.R.S. allows the Governor, or in the case of the Judicial Department, the Chief Justice, to authorize transfers between like-purpose appropriations. This provision is not available prior to May 1 and is subject to a maximum statewide threshold of five million dollars. Section 24-75-109, C.R.S. allows the State Controller, with the approval of the Governor, to approve expenditures in excess of appropriations. This provision is not available prior to May 1 and shall not exceed three million dollars in any fiscal year. This section sets forth guidelines for departments to request these approvals. See also Fiscal Rule 7-4.

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

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

Diagnostic reports showing overexpenditures are available and updated daily throughout the year. All overexpenditures must either be cleared by proper accounting entries or supported by an approved appropriation transfer or overexpenditure form.

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

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

1.2 Deficit Fund Balances

Deficit fund balances are reported in a note in the State CAFR. The OSC-024 Fund Balance Deficits report at year-end is the basis for identifying deficit fund balances. Statutory funds with cash funding source codes that have underearned revenue are not considered overexpenditures if the fund has sufficient fund balance to cover the under-earned amount, however, funds with cash funding source codes that have underearned revenue and do not have sufficient fund balance will be considered an overexpenditure. Federal expenditures unsupported by federal revenue constitute an overexpenditure, they must be covered elsewhere in the budget or be reported as an overexpenditure. Departments that have deficit fund balances as of final year-end close must submit an overexpenditure authorization form. Note, that pension liabilities reducing fund
balance as a result of the implementation of GASB Statements No. 68 Accounting and Financial Reporting for Pensions and No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and OSC use only department codes (department codes with X as the second character) are not included when determining deficit fund balances for overexpenditure per review by the Attorney General's Office (Note: The State Controller cannot approve an overexpenditure that results in a deficit fund balance per Section 24-75-109(2)(b), C.R.S.). The deficit fund balance will be reported in the Governor’s Overexpenditure Letter and will require an overexpenditure restriction in the next year as if it was a spending authority overexpenditure.

1.3 Overexpenditure Restriction

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

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

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

- SAI 27 – General Fund Restriction – Overexpenditure
- SAI 28 – General Fund Exempt Restriction – Overexpenditure
- SAI 29 – Cash Fund Restriction – Overexpenditure
- SAI 30 – Reappropriated Fund Restriction – Overexpenditure
- SAI 31 – Federal Fund Restriction – Overexpenditure
CHAPTER 3: SECTION 2
REQUESTING ROLLFORWARD OF APPROPRIATION AUTHORITY FROM CLOSING YEAR TO NEW YEAR

By state law, unexpended annual appropriations expire at the end of each fiscal year and do not carry over to a subsequent fiscal year, unless otherwise authorized by statute. The State Controller may approve the rollforward of unexpended annual appropriations as provided by State of Colorado Fiscal Rule 7-3 under certain circumstances discussed later in this section. Due to continuing demands on resources, agencies are encouraged to seek legislative approval through the addition of letternotes for any general-funded requests, including purchases from CCi.

The rollforward process will also be used for any purpose for which General Funds or Capital Construction funds should rollforward, outside of the parameters of the Fiscal Rule as an administrative tracking mechanism. For example, remaining unspent custodial funds recorded in the General Fund would qualify for this treatment. Please mark these requests as "extenuating circumstances" on the form.

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

2.1 Rollforward of Appropriated Funds

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

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

2.2 Allowable Circumstances for Rollforwards

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

♦ The appropriated funds have been legally committed by purchase order or contract and there are extenuating circumstances that warrant carryover of the remaining appropriation (this applies to both an external vendor and internally to other state departments).

Extenuating circumstances must clearly be beyond the control of the department and should have been mitigated to the greatest extent possible by advanced planning, documented early ordering, early and frequent status monitoring, and documented delivery deadlines communicated to and acknowledged by the vendor.

♦ There is express legislative intent that allows the rollforward of spending authority. The State Controller cannot rollforward an appropriation based on implied legislative intent.

Legislative intent must be in written form in a formal legislative action signed by the
Governor and will not be inferred or deduced by the State Controller. Common forms are
letternotes and footnotes in the Long Bill, supplemental bills, and long bill add-ons.
Express legislative intent may also be included in substantive and fund enabling
legislation.

A rollforward request is also required to be submitted in situations when statutory
language stipulates that an unused appropriation in one year is allowed to be available in
the next fiscal year (e.g. “Any unexpended and unencumbered moneys from an
appropriation made pursuant to this subsection remain available for expenditure in the
next fiscal year without further appropriation” or “Any moneys not expended or
encumbered from any appropriation at the end of any fiscal year shall remain available
for expenditure in the next fiscal year without further appropriation”).

- The appropriated funds have been legally committed by purchase order or contract with
Colorado Correctional Industries (CCI) and delivery is reasonably anticipated within 60
days of fiscal year-end. The same timely order and status monitoring documentation
requirements apply to CCI that apply to other vendors. Departments should make every
effort to place orders by the year end ordering deadlines set by CCI. The CCI ordering
deadlines for 2018 are:

<table>
<thead>
<tr>
<th>DUE DATE</th>
<th>PRODUCT LINE</th>
<th>MANUFACTURER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friday, April 13 (10 weeks prior)</td>
<td>Specialty &amp; Custom Products within:</td>
<td>Allsteel, Barron/Benjamin/Portico</td>
</tr>
<tr>
<td></td>
<td>Furniture</td>
<td>Agralan</td>
</tr>
<tr>
<td></td>
<td>Office</td>
<td>Balfour</td>
</tr>
<tr>
<td></td>
<td>Lounge</td>
<td>B+B</td>
</tr>
<tr>
<td></td>
<td>Panel Systems</td>
<td>Brown-Schmidt</td>
</tr>
<tr>
<td>Friday, April 27 (8 weeks prior)</td>
<td>Specialty Products within:</td>
<td>CCI Specials</td>
</tr>
<tr>
<td></td>
<td>Office</td>
<td>Falcon</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Howe</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Image/Office Specialty</td>
</tr>
<tr>
<td></td>
<td></td>
<td>X2 Parallel Tables</td>
</tr>
<tr>
<td></td>
<td>Filing &amp; Storage</td>
<td>Thonet</td>
</tr>
<tr>
<td></td>
<td>Furniture</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lounge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Seating</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Panel Systems</td>
<td></td>
</tr>
<tr>
<td>Friday, May 11 (6 weeks prior)</td>
<td>Specialty Products within:</td>
<td>AIS A2, Calibrate &amp; Divi</td>
</tr>
<tr>
<td></td>
<td>Filing &amp; Storage</td>
<td>Allsteel Systems</td>
</tr>
<tr>
<td></td>
<td>Office</td>
<td>Floresta</td>
</tr>
<tr>
<td></td>
<td>Furniture</td>
<td>Legation</td>
</tr>
<tr>
<td></td>
<td>Lounge</td>
<td>Matrix</td>
</tr>
<tr>
<td></td>
<td>Seating</td>
<td>System XXI</td>
</tr>
<tr>
<td>Friday, May 25 (4 weeks prior)</td>
<td>Standard Products within:</td>
<td>Fremont Special Colors</td>
</tr>
<tr>
<td></td>
<td>Furniture</td>
<td>CCI Reception Tables</td>
</tr>
<tr>
<td></td>
<td>Seating</td>
<td></td>
</tr>
</tbody>
</table>
2.3 Procedures for Appropriated General and Cash Fund Rollforward Requests

The process for completing a rollforward is as follows:

1. Complete the rollforward request form found on the OSC’s website at [https://www.colorado.gov/pacific/osc/financial-resources](https://www.colorado.gov/pacific/osc/financial-resources). The “Rollforward Request #” on the form is the department code, closing fiscal year, and request number in sequential order (e.g., AAAA-2017-1). The OSC will use the Rollforward Request # to track the request throughout the process. Separate rollforward request forms must be submitted for each appropriation code. The form requires the listing of funding sources by general exempt, cash funds, or reappropriated. Only federal funds subject to appropriation per the Long Bill headnotes are included on this form; other federal funds and custodial funds are not included on these forms. Rollforward requests must be submitted to your OSC Financial Specialist by the date specified in the open/close calendar. Department controllers may establish a policy to “electronically sign” the form. Although not a secure signature, the OSC will accept a typed “signature” in the Excel form as acknowledgement that the department controller has reviewed the request.

2. Attach the rollforward request form and proper documentation to a BGA document. Proper documentation may come in various forms such as a letter explaining that an item on a purchase order, which under normal circumstances would have been delivered prior to June 30, has not been received. Attach a copy of the original encumbrance document with this type of request. If the justification for the rollforward is express legislative intent, please include a copy of the statute or Long Bill letter note or footnote that allows the funds to be rolled forward. The BGA document must be processed in the closing FY and BFY as a decrease in the amount of the rollforward using the budget line coding of the line from which a rollforward is requested. The BGA document should use Event Type BG03 and SAI 5. Finally, the Rollforward Request # must be entered in the House Bill field on the BGA document.

3. State Controller approval or rejection of a budget document serves as approval or denial of requests based on extenuating circumstances or CCi purchases. Financial Specialist approval of a budget document serves as approval of a request based on express legislative intent. Departments requesting reconsideration of denied requests should submit any additional justification or documentation to the Financial Specialist assigned to the department.

4. If the request is approved, separate appropriation codes may need to be established for each rollforward request if desired by the department for tracking purposes. Send an email request to dpa_FARmailbox@state.co.us to establish the rollups for the new-year appropriation code. See Section 2.4 below regarding appropriation coding for the new-year. Departments may elect continued use of the request coding in the following year if agreed to by the Financial Services Unit.

5. A BGA document must be processed in the new-year FY and BFY as an increase using the budget line coding established for the rollforward in the new year. The BGA document must use Event Type BG04 and SAI 5. The Rollforward Request # must be entered in the House Bill field on the BGA document. The BGA document should be in the amount of the approved rollforward or less if the actual amount remaining is less than the estimate. Conversely, if the actual amount of the funds to rollforward is more than the approved amount, a new rollforward request will be required.

6. If the basis of the unexpended appropriation is fund balance, departments must submit a JV1STND in the new-year with Event Type XG30 and RSRC 9523 to flag the usage fund balance. Failure to record a JV1STND for previously earned revenues (RSRC 9523) in
Fund 1000 could result in the unintended reversion of the spending authority, leaving the rollforward appropriation unfunded.

To avoid delay in processing any rollforward request, the request forms must be properly completed and properly documented in accordance with the above instructions. Rollforward requests with insufficient documentation or justification will be disapproved. It is not necessary to round up rollforward requests decimals are permitted. Rollforward requests must be received (via BGA90/91 document) at the OSC by the date indicated in the open/close calendar. Email all requests to dpa_FARmailbox@state.co.us. If you have questions please contact your OSC Financial Specialist.

In certain instances a department may have multiple-year contracts extending beyond the current fiscal year that will require the rollforward of the current year appropriation. This includes late contracts that require an amendment to extend the performance period beyond June 30 into the next fiscal year. In these situations it is critical that both the contract/amendment and the rollforward be evaluated and approved at the same time. Therefore, if a department submits a contract to the OSC that will require a rollforward of current year appropriation, the department must also submit a completed rollforward request along with the contract. The OSC Central Contract Unit (CCU) will then work with the related OSC Financial Specialist and the State Controller to evaluate the contract and the rollforward request together.

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

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

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

2.4 Appropriation Coding for the New Year Rollforward

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Fund 1000 Roll As</th>
<th>Funds other than Fund 1000 Roll As</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Funds</td>
<td>General Funds Exempt</td>
<td>N/A</td>
</tr>
<tr>
<td>Cash/Reappropriated Funds Already Earned</td>
<td>Cash Funds / Nonappropriated</td>
<td>Cash Funds / Nonappropriated</td>
</tr>
<tr>
<td>Cash Funds Not Yet Earned</td>
<td>Cash Funds / Nonappropriated</td>
<td>Cash Funds / Nonappropriated</td>
</tr>
<tr>
<td>Reappropriated Funds Not Yet Earned</td>
<td>Cash Funds / Nonappropriated</td>
<td>Cash Funds / Nonappropriated</td>
</tr>
</tbody>
</table>

### 2.5 Rollforwards from the Reappropriated Column of the Long Bill

When a department has a rollforward request that is from the reappropriated column, both state departments – the one spending the funds and the one providing the funding - must submit a rollforward request.
CHAPTER 3: SECTION 3
CLOSING ACCOUNTING ISSUES

The material in this section has several intended purposes:

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

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

3.1 Preparing Accounting Estimates

Departments should review their current accounting estimation procedures to ensure they are consistent with this guidance. If more estimates are necessary to meet the closing timetable, this guidance will serve as a standard for developing processes to prepare those estimates. If a department follows this guidance and produces an estimate that subsequently proves to be inaccurate, the department will be supported by the standard. The revenue and expenditure accrual estimation methodologies must be documented so the process and source data may be used from year to year to achieve consistency and improve the estimation methodology. An inaccurate estimate may indicate the need to research variances and use a different methodology that produces a more accurate estimate, within the given time and resource constraints. Each department is expected to strive to improve its estimation process between closings with the objective of improving accuracy over time. Since departments must enter information into the State accounting system well before financial statements are produced, and they are precluded from changing these entries after the close of Period 14, departments are only responsible for providing estimates based on the best information known prior to the statutory close date.

3.1.1 Estimation of Accrued Expenditures

Departments are required to accrue all known liabilities at year-end. In addition, departments must report contingent liabilities in accordance with GASB Statement No. 62. As part of the year-end close process, some liabilities must be estimated. Departments should make year-end estimates based on situations, circumstances, and documented evidence known before issuance of the financial statements. If there is a reason for a significant deviation from the historical methodology, the reason should be documented (e.g., a change in the weather from prior year would be a reason to deviate from the department’s utility bill of the prior year, if all other factors remain constant).

3.1.2 Estimation of Accrued Revenues

Departments are required to accrue revenues in accordance with GAAP and the revenue recognition criteria applicable to the fund for which the accrual is made. Estimates of accrued revenue are calculated based on situations, circumstances, and documented evidence known before the issuance of the financial statements. Should current events suggest a need to deviate from a historical information source, that change and the need for it should be documented.

3.1.3 Continuous Improvement of the Estimation Process

In order to assess the reliability of the estimation process and improve that process in successive years, departments should compare accounting estimates with subsequent results. Departments may want to refer to Statement of Auditing Standards (SAS) No. 57 to better understand the relevance of such a comparison.
3.2 Accounts Payable Accruals

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

- Manually-Entered Payment Documents (e.g., GAXs, PRCs, and MDs)
  - As of any July 1, CORE will auto-populate document headers with the new-year BFY, FY, and current period. Therefore, to post payments related to the closing year users must leave the record date blank and manually enter document headers with the closing year’s BFY, FY, and Period 12. When the payment posts it will automatically record the accrual in vouchers payable account 2100 and no other steps are necessary.

- Automatically-Generated Payment Documents (e.g., PRM and PRN)
  - The BFY, FY, and Period on the accounting line is inferred from the award document’s BFY, FY. Therefore, to post payments related to the closing year, two things must occur: (1) the IN document must reference the closing year’s award accounting line and (2) users must enter a service date on the IN commodity line of June 30 or prior, of the closing year. When the payment posts it will automatically record the accrual in vouchers payable account 2100 and no other steps are necessary. Note: The received date on the RC must also be June 30 or prior.

- Internal Transactions
  - Internal transactions (e.g., IETs or ITI/ITAs) between and among departments should be coordinated by both parties and can be processed through Period 13 close with event types that transfer cash.
  - Internal transactions (e.g., IETs or another payment document such as a GAX) between departments and higher education institutions must be processed by the deadline in the open/close calendar. This is important because of the time involved in closing and feeding higher education accounting information to CORE.

Goods or Services Received by June 30, but not Paid by the Cash Cutoff Date

Departments must use both of the following documents to record and reverse accruals. A job aid for these documents is also available on the CORE website.

- Manual Accrual Document (ACC)
  - This document records the accrued expenditure and accounts payable. The payable field will allow the use of any BSA 2xxx liability code. If this field is left blank the BSA will default to 2120.
  - Users must manually enter document headers with the closing year BFY, FY, and Period 13.
  - The postings created by the ACC occur in the closing year as follows:
    
    Dr. Accrued Expense
    Cr. Accounts Payable
  - A guide for troubleshooting common issues is listed below including the process for handling changes in COA elements between the new and closing year.
Manual Clearing Document (ACL)

- This document fully reverses the accrual recorded by the ACC. It is important that the accrual be fully reversed to support both 1099 reporting and the automation of accrued receivables that are generated in the reimbursement cycle. Specifically, to generate a 1099, a cash expenditure must be posted with a vendor code and a 1099-reportable object code. Therefore, all accruals should be fully reversed so that 1099-reportable payments are not paid out of a liability account.

- The ACL is created by coping forward from an ACC document and must be processed by the end of the closing year’s Period 13. This is necessary because the ACL creates the cash expenditure in the closing BFY, which is necessary to capture matching receivable accruals (RE documents) for grants.

- Because the ACL fully reverses the ACC, there is no need to wait on processing the ACL. Therefore, best practice is to process an ACC to final and immediately process the ACL to final.

- Document header dates will auto-populate with BFY-closing year, FY-new-year, and the current period of the new-year on the ACL document. **Do not change these.**

- If an OBSA other than 2120 (which is the default unless specially changed) is used on the ACC, an additional step must be performed when copying forward from an ACC to an ACL. Specifically, clear/delete the OBSA that appears on the newly created ACL document. If the OBSA field is not cleared, a hard error will occur that will not allow the document to validate.

- The postings created by the ACL shown below all occur in the new FY:
  
  Dr. Accounts Payable (closing year BFY)
  Cr. Accrued Expense
  Dr. Cash Expense (closing year BFY)
  Cr. Fund Balance
  Dr. Fund Balance

  Cr. Cash Expense (new year BFY)

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

- A guide for troubleshooting COA changes between the closing and new-year is listed below.

- In conjunction with the ACL, a new-year payment document will be processed as normal against expenditure coding to clear the accrual reversal in the new-year and generate the actual receivable. Note that if the ACL is not completed at the time of payment there will be a timing discrepancy in the related receivable documents. If the payment is done after the ACL, the receivable will be understated until the reversion document is complete if the accruals are done with regular grant coding.

Internal Transactions

- Internal transactions (e.g., IETs or ITIs/ITAs) between and among departments after Period 13 close must use a payable/receivable offset, rather than a cash offset. The internal payables/receivables must also be confirmed in accordance with the
payable/receivable process discussed in this manual.

**Reconciliation and Over-Accrual Adjustments**

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

  - If the over-accrual is not related to a federal grant use XG33 which debits Cash Expenditure and credits Revenue *Note: When crediting revenue, use revenue source code 830A if the expenditure was against a general, cash, or reappropriated appropriation, and use appropriation unit xxxxx9999 if the activity is in Fund 1000.*

  - If the over-accrual is related to a federal grant then the amount should be returned to the federal government or applied to another grant, if allowable, and in accordance with the grant award.

**General Reminders and Troubleshooting**

- Payable accruals and reversals should not be done on a JV type document, with the exception of certain long-term payables outlined in Chapter 1, Section 2.13. Department Controllers, in consultation with the Financial Services Unit of the OSC, may authorize the use of JV type documents for certain accruals that cannot be recorded using the normal ACC document.

- Documentation to support the payables should be retained at the department for audit purposes.

- All payables must be recorded even if they will result in an overexpenditure, including leave payouts as specified in Sections 3.26 and 3.31. However, do not accrue payables just to expend the balance of an appropriation. Because of the impact on the computation of available fund balance, it is essential that any payables accrued in the Regular Capital Projects Fund (Fund 4610) and General Purpose Revenue Fund (Fund 1000) are valid.

- If material, salaries and CCARD purchases should be accrued using an ACC document and reversed with an ACL document. Salaries should be accrued from the last pay period end date to June 30. CCARD purchases should be accrued from the June statement cutoff date to June 30.

- Below is a guide for troubleshooting common issues that can arise with the use of the ACC and ACL documents, and possible remedies:

<table>
<thead>
<tr>
<th>Error/Issue</th>
<th>Remedy</th>
</tr>
</thead>
<tbody>
<tr>
<td>An ACC was accidentally entered and/or the information in an ACC was incorrect and an ACL has not been processed.</td>
<td>Enter a new ACC document with the same information on the original ACC, but with negative amounts. The ACC documents should net to $0.</td>
</tr>
</tbody>
</table>
An ACC was accidentally entered and/or the information in an ACC was incorrect and an ACL has been processed. Enter a new ACC document with the same information as on the original ACC, but with negative amounts. Additionally, copy forward the new ACC to an ACL, do not change anything(*), and submit. The two ACC documents and two ACL documents should net to $0. *The ONLY time to change anything is if the original ACC used a non-default OBSA, then clear the field on the ACL before submitting.

The closing and new year COA elements are different. (Note: When appropriation rollups change, departments should create a new appropriation unit. See Chapter 3, Section 2)

1. Enter an ACC with the closing year COA elements, and these will be populated in the ACL when copied forward from the ACC.
2. Ensure the closing year COA elements that were used in the ACC/ACL are active in the new year.
3. Enter and approve a JV1STND or JVC as follows:
   On the header, the FY and BFY should be the new year.
   Accounting entries should be:
   - Debit Cash Expenditure with the closing year COA elements
   - Credit Cash Expenditure with the new year COA elements
   Note: The JVC will create the RE with the new year COA elements and reverse the RE generated by the ACL.
4. Inactivate the closing year COA elements that should no longer be used.
5. Process payment against new year COA elements.

### Accounts Receivable and Tax Accruals

In all funds, accounts receivable should be recorded when the related revenue is earned, but not yet collected, or it has been determined that there is a valid debt owed to the department. GASB Statements Nos. 22 and 33 provide guidance for revenue recognition and receivables. In a governmental fund, in order to record a receivable, it must also be susceptible to accrual, meaning both measurable and available. Measurable means that a reasonable estimate of the amount due can be made. Available means the receivable will be collected in time to be used to fund expenditures within the next fiscal year. If the collectability of the potential receivable is questionable, the department needs to evaluate if a receivable should be recorded.

Receivables recorded in governmental funds that are not expected to be collected or are not due within the next fiscal year should not be recorded as current accounts receivable. Instead, they should be recorded as long-term receivables with an offset to a deferred inflow of resources. However, the deferred inflows related to these long-term receivables must be recognized as
revenue under the full accrual basis of accounting. The year-end entries to recognize this revenue are recorded in the General Full Accrual Account Group (GFAAG – Fund 4710). In the following example $250 of taxes receivable are accrued but $75 dollars is not expected to be collected until after the following fiscal year. Under modified accrual, as practiced by governmental funds, that amount should not be recognized as it is not available for appropriation in the subsequent fiscal year. In Fund 4710 the deferral is reversed so that when Fund 1000 and Fund 4710 are combined at the government-wide level, the deferred inflows are zero and the revenue is recognized.

<table>
<thead>
<tr>
<th></th>
<th>Fund 1000</th>
<th>Fund 4710</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes Receivable</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Tax Revenue</td>
<td></td>
<td>175</td>
</tr>
<tr>
<td>Deferred Inflow of Resources</td>
<td></td>
<td>75</td>
</tr>
<tr>
<td>Deferred Inflow of Resources</td>
<td></td>
<td>75</td>
</tr>
<tr>
<td>Tax Revenue</td>
<td></td>
<td>75</td>
</tr>
</tbody>
</table>

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

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

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

Aging of accounts receivable is required by the Department of Personnel and Administration’s Accounts Receivable Collections Administrative Rule. Section 2.20.02 of the rule requires a monthly “aged” trial balance of all accounts receivable included in total gross accounts receivable. The year-end “aged” trial balance should be maintained by the department for audit and other reporting purposes.

### 3.4 Accounts Receivable Allowances

Allowances for uncollectible receivables may be established at any time during the fiscal year. Factors including, but not limited to, the age of the receivable, payment history, and financial condition of the debtor should be considered in making an allowance determination. The following guidance is supported by GASB Q&A 7.40.3 and 7.72.2. When establishing or increasing a receivable allowance account related to revenue earned in the current fiscal year, the debit should be made to the related revenue source code. The same should occur related to revenue earned in the prior year, but the offset should impact nonbudgeted revenue. For receivables for which there is no related revenue, such as for a loan or note receivable, the debit is coded as an expenditure and object code 4120—Bad Debt Expense shall be used.

### 3.5 Accounts Receivable Write-Offs

An accounts receivable may be written off as set forth in the “Department of Personnel & Administration’s (DPA) Accounts Receivable Collections Administrative Rule” and write-off
policy in section 4.00. Write-offs should be recorded as a credit to the appropriate accounts receivable account and a debit to the allowance account. For accounts not fully allowanced, the offsetting debit is generally a reduction in revenue, and should be treated consistently with the guidance provided in Section 3.4 of this chapter.

3.6 Reconciliation of Past Due Accounts Receivable Assigned to Central Collection Service

The Central Collection Services (CCS) Client Inventory Report is available at fiscal year-end close. This monthly report of active accounts is used to reconcile your CORE records to CCS records for receivables remitted to CCS for collection. Reconciliations should be kept at your department for audit purposes and not be sent to the OSC. Discrepancies need to be resolved directly with CCS.

3.7 Credit Cards

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

- If the full amount of the payment to the State is received from the customer and the department subsequently disburses bank fees, or otherwise provides funds for the bank fees, the department shall record the revenue gross and the bank fee as an expenditure. Object code 4105 - Bank Card Fees has been established for this purpose. When the fee has not been specifically budgeted to the department, then the department may use a non-budgetary entry (which does not reduce available budget) to expense the bank fee.

- When the department receives the payment net of bank fees, then the department shall record the revenue gross and the bank fee as a debit to revenue in either 5208 - Credit Card Fees Nonexempt or 5209 - Credit Card Fees Exempt. Nonexempt or exempt classification is dependent on the nonexempt or exempt status of the revenue collected in the transaction.

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

3.8 Augmenting Revenue

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

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

It is important to carefully review each augmenting revenue balance to be sure that it is correct. In addition, it is important not to over accrue federal revenue since it will revert to fund balance. To reserve earnings in the General Fund (Fund 1000) from custodial sources, a JV1STND using Event Type XG30 and revenue source code 9523, must be prepared to designate the use of fund balance so that it can be excluded from the reversion calculation. These entries must be completed by the mid-August date in the open/close calendar to ensure funds are not inadvertently reverted.
Two OSC diagnostic reports have been created to monitor augmenting revenue issues. Departments should use the OSC-010 and OSC-028 infoAdvantage reports throughout the year and take appropriate action by Period 13 close.

3.9 Capital Asset Inventory

Furniture, equipment, and other capital assets having a useful life of more than one year and an acquisition cost of $5,000 or more per unit should be inventoried annually. If time does not permit the taking of a physical inventory on June 30, it is permissible to take the inventory at or after March 31 and adjust for additions and deletions occurring from the date of the physical inventory until June 30. The Office of the State Auditor should be advised if you elect to take inventory prior to June 30. Any capital items that are present on Fixed Asset (FA) reports that are not present in actual inventory must be disposed of using a FD document prior to completing the Exhibit W and year-end entries. These assets should be recorded in CORE using the General Full Accrual Account Group (Fund 4710), with the exception of enterprise, internal service, higher education institutions, and trust fund assets that are recorded in their respective funds.

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

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

3.10 Cash Deposits with the State Treasurer

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

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

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

Cash receipt documents for the closing year modified after June 30 must have all lines hard coded to the closing fiscal year and Period 12. If this is not done, CORE infers the current calendar date and creates cash reconciliation issues in the closing and new years that must be corrected prior to Period 12 close. Direct Deposit (DD) worksheets submitted to the Treasury must not mix fiscal years. Finally, ensure all cash receipt documents have been approved at the Department level before contacting Treasury for Treasury approval.

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

3.11 Compensated Absences Accrual

Under the requirements of GASB Statement Nos. 34 and No. 35, and GASB Interpretation No. 6, the liability for compensated absences is only a fund liability in the governmental funds if it is due and payable by June 30. The liability at June 30 (as computed below) is a fund liability for the proprietary and trust funds using full accrual accounting, but not for the governmental funds, which use modified accrual. The governmental funds will record their liability in Fund 4710 less any payables recorded in the governmental fund at June 30.

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

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

The calculation of the compensated absences liability includes:

- The value of annual leave should be computed as the total days earned, but not taken, times the salary rate per day in effect at the close of the fiscal year. The annual leave accrual also includes the State share of PERA, FICA, or other retirement programs as appropriate. The PERA percentage is 20.15 percent of salary, except for state troopers and CBI agents for whom it is 22.85 percent, and Judicial Branch judges for which it is 17.36 percent. For employees hired after March 31, 1986, the state share of Medicare taxes of 1.45 percent of salary is added to the accrual.

- The value of the vested sick leave accrual should be computed as follows: 25 percent of the total number of sick leave days (not to exceed 45 days plus sick leave earned prior to July 1, 1988) earned, but not taken, by employees at the close of the accounting period, multiplied by the percentage of current employees covered by PERA that are expected to retire from state service, multiplied by the salary rate per day in effect at the close of the fiscal year. The sick leave accrual does not include the State share of PERA, FICA, or other retirement plans since the State share is not paid out at retirement. For higher education employees who are covered by retirement programs other than PERA or FICA and who have vested sick leave retirement benefits, the employer should make a compensated absences accrual to assure that the appropriate liability is recorded per GAAP.

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

- Funds using modified accrual (governmental funds):
  - In Fund 4710, record either an increase or decrease in the compensated absences using JV1STND, Event Type XG14 as:
    - A debit or credit as appropriate to an unbudgeted posting code and object code 1810-Compensated Absences - Annual Leave and 1820 - Compensated Absences - Sick Leave, and
    - A debit or credit as appropriate to 2910 – Long-Term Compensated Absences Liability - Annual Leave and 2920 – Long-Term Compensated Absences Liability - Sick Leave.
  - In a governmental fund where the amount was payable at June 30, but not paid using an ACC document to record:
    - A debit to budgeted posting code and object code 1810 - Compensated Absences - Annual Leave and 1820 - Compensated Absences - Sick Leave, and
    - A credit to balance sheet account - 2440 Current Compensated Absences.
  - Funds using full accrual (proprietary and trust funds). In the proprietary fund record an increase or decrease in the compensated absences record using a JV1STND, Event Type XG14, the debits and credits as described above for governmental funds.

In all funds, including Fund 4710, any portion of the liability that is current (expected to be paid in the next fiscal year) should be reclassified to liability account 2440 - Current Compensated Absences. This means that each department is likely to have both current and long-term liabilities for compensated absences. If the current portion is estimated for the retirements to occur in the next year, the long-term liability will be the difference between the current portion and the total liability. Reasonable estimates should be used to allocate the liabilities between the current and long-term portions.

### 3.12 Pollution Remediation Liabilities

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations (PROs), including contamination, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

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

- The government is compelled to take pollution remediation action because of an imminent endangerment.
- The government violates a pollution prevention–related permit or license.
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a government responsible for sharing costs.
- The government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The government commences or legally obligates itself to commence pollution remediation.
remediation.

Calculating the PRO

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

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

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

Accounting for the PRO

The liability should be booked as follows:

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

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

In Fund 1xxx (goods and services), with an ACC document:
- Debit (Expenditure) to object xxxx for $25,000
- Credit (Liability) to balance sheet 2120 as accounts payable for $25,000

In Fund 4710 (PRO: original recording of current and noncurrent amount), with a JV1ADVN document:
- Debit (Nonbudgeted) to object xxxx for $3.0 million
- Credit (Liability) to balance sheet 2985 for $2.0 million
- Credit (Liability) to balance sheet 2785 for $1.0 million

In Fund 4710 (PRO: adjustment for liability reduction for completed work), with a JV1ADNV document:
- Debit (Liability) to balance sheet 2785 or 2985, as appropriate, for $25,000
- Credit (Nonbudgeted) to object xxxx for $25,000
Proprietary Funds – an expenditure could be recorded as a program or operating expense or as a special or extraordinary item (if it meets the criteria for those items). The expenditure is booked as a budgeted or nonbudgeted expense with an offset to the liability. The use of a nonbudget posting code is dependent upon whether or not the liability has been budgeted for in the Long Bill. If a nonbudget posting code is used and budget is subsequently recorded, the expenditure needs to be reclassified by debiting a nonbudget posting code and crediting a budgeted posting code for the budgeted amount. This will ensure proper recognition under the budget and have no effect on fund balance in the current year.

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

Please note that the object code used depends upon the nature of the expenditure – personal services, supplies, equipment, etc. The OSC has created two liability accounts, 2785 – Pollution Remediation Obligations – Current and 2985 – Pollution Remediation Obligations – LT.

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

Realized/Realizable in the year the expenses and liability are booked:
- Debit cash or receivable
- Credit expense

Realized/Realizable in years after the expenses and liability have been booked:
- Debit cash or receivable
- Credit liability 2785 or 2985

Realized/Realizable - post-remediation, after the liability has been liquidated:
- Debit cash or receivable
- Credit revenue source code 5880

Not Realized/Realizable (if the liability has already been recorded):
- Debit liability account 2785 or 2985
- Credit expense

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

3.13 Prepaid Expenses and Consumable Inventories

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

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

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

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

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

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

3.14 CORE Inventory Module Cycle Count Procedures

Inventory closing procedures can be found on the CORE website. On the Training menu, select Resources, Policies, Job Aids, and Step Action Tables. There is link to the Inventory resources on that page.

3.15 Internal Control and Certification of Accounting and Reporting Systems

Certification of financial accounting and reporting systems is required on Exhibit I. Every department within a cabinet must be represented on an Exhibit I, but separate exhibits for each department within a cabinet are not required. Only one copy of the Exhibit I must be submitted to the OSC by the due date outlined in the open/close calendar.

The Exhibit I is expected to also serve as the TABOR revenue certification.

Be careful not to confuse the Exhibit I requirement with the reporting required under the Financial Responsibility and Accountability Act (Section, 24-17-101, C.R.S.). See Chapter 5, Section 6.1 for the related Statement of Compliance due December 31 each year.

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

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

3.17 Internal Transfers and Transactions

The OSC definition of a transfer is any payment from one state department to another, or one fund to another, or one appropriated line item to another, which does not involve the exchange of money for goods or services, and which is generally of an involuntary nature and mandated by budget, statute, or administrative requirements. When goods or services are exchanged and the value received is commensurate with the value paid, then transfer accounts should not be used.

Transfers are most commonly used to move money from a department or fund where it was properly earned as revenue to another fund or department. For example, departmental indirect cost recoveries are often appropriated to fund administrative activities in a department. The original external revenue should be earned in the receipting department, and the incoming transfer should be recorded by the other department (e.g., central administration) to support its cash funded appropriation.

The balancing of transfer transactions is required for financial statement preparation at the statewide level. The OSC-012, OSC-013, OSC-014, and OSC-016 infoAdvantage transfer diagnostic reports help departments review transfer transactions. The transfer diagnostic reports should be monitored as part of the quarterly reporting to the OSC and transfers should be balanced by Period 13 close. The use of the ITI/ITA & IET transactions by state departments helps in ensuring the balancing of transfer accounts. However, there are some instances where the use of the ITI/ITA & IET transaction is not feasible and other instances where transfer transactions are not balanced within the ITI/ITA and IET transaction due to limitations with second-party only front-end-split functionality. The following information is provided to assist departments in properly coding their transfer transactions. Communication between and within departments is key to the consistent treatment of transfers and the balancing of all transfer accounts.

Transfers occurring prior to Period 13 close may offset cash through the use of Event Type IN20. After the Period 13, internal transfers must be accrued, offsetting internal payables and receivables with Event Type IN21.

Operating transfers out to other cabinets must be recorded in the 700x series whereby x indicates the cabinet code of the department to whom the funds are sent (note that Y=cabinet I and Q=cabinet O for this purpose). Operating transfers in from other cabinets must be recorded in the 90Tx (T in the third character indicating a transfer from a TABOR enterprise) or 900x (from a non-TABOR enterprise) series. The x indicates the cabinet code from whom the funds are received (again, Y=cabinet I and Q=cabinet O for this purpose). Transfer codes 7A0x and 9A0x, where x represents the cabinet code, should be used for intrafund transfers.

Operating transfers must be segregated into interfund and intrafund transfers to assist the OSC in eliminating transfers in their financial statement preparation. The interfund or intrafund determination is made at the fund category (FCAT) level. The FCAT is found on the rollups section of the FUND table in CORE. The coding described in the above paragraph (700x and 900x) will be used for interfund transfers.

The following table shows how funds in CORE will be grouped for intra/interfund transactions. Any transactions within each FCAT (cell) in the table below should be coded as intrafund (7A0x and 9A0x). Any transactions between funds in different FCATs (cells) below should be coded as
interfund transactions (700x and 900x). Please note that this table can also be used to determine whether a receivable/payable or a federal/state grant to another state agency is considered intra or interfund.

<table>
<thead>
<tr>
<th>FCAT</th>
<th>FCAT Name</th>
<th>Funds</th>
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<tbody>
<tr>
<td></td>
<td><strong>Governmental Funds</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>General Funds - General Purpose</strong></td>
<td></td>
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<td>G100</td>
<td>General Fund - Unrestricted</td>
<td>1000</td>
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<tr>
<td></td>
<td><strong>General Funds - Special Purpose</strong></td>
<td></td>
</tr>
<tr>
<td>G200</td>
<td>General Fund - Risk Management</td>
<td>11L0, 11P0, 11W0</td>
</tr>
<tr>
<td>G300</td>
<td>General Fund - Restricted</td>
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<td>G400</td>
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<td>1130, 17H0, 25F0, 28S0, 29E0, 29F0, 29G0</td>
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<td></td>
<td><strong>Special Revenue Funds</strong></td>
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</tr>
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<td>R200</td>
<td>Highways</td>
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<td>State Education Fund</td>
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<td>Colorado Gaming Fund</td>
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<td>Tobacco Impact Mitigation</td>
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<td>R800</td>
<td>Resource Extraction</td>
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Other Governmental Funds:

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Chapter 3: Section 3
### FISCAL PROCEDURES MANUAL

**March 2018**

#### Chapter 3: Section 3

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<td><strong>E800</strong></td>
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### Pension & Employee Benefit Trust Funds

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### Private Purpose Trust Funds

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The following tables provide the most frequently used transfer code chart of accounts for operating transfers between and within funds. Additional transfer codes have been established for special transfers that can be found on the CORE OBJ and RSRC tables or the REF-002 Central Chart of Account Listing report in infoAdvantage.

### Object Transfer Codes - Intrafund (7A0x)

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<td>7A0B</td>
<td>Operating Transfers to Agriculture – Intrafund</td>
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<td>7A0C</td>
<td>Operating Transfers to Corrections – Intrafund</td>
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<tr>
<td>7A0D</td>
<td>Operating Transfers to Education – Intrafund</td>
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<tr>
<td>7A0E</td>
<td>Operating Transfers to Governor's Office - Intrafund</td>
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<tr>
<td>7A0F</td>
<td>Operating Transfers to Public Health &amp; Environment-Intrafund</td>
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<td>7A0G</td>
<td>Operating Transfers to Higher Education - Intrafund</td>
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<td>7A0H</td>
<td>Operating Transfers to Transportation - Intrafund</td>
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<td>7A0I</td>
<td>Operating Transfers to Judicial – Intrafund</td>
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<td>7A0K</td>
<td>Operating Transfers to Labor &amp; Employment - Intrafund</td>
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<td>Code</td>
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<td>Operating Transfers to Healthcare Policy &amp; Financing - Intra</td>
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**Revenue Source Transfer Codes - Intrafund (9A0x)**

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3.18 Intra/Interfund Receivable/Payable Confirmation Process

GASB Statement 38 requires disclosures and financial statement entries related to intra/interfund receivables and payables. To support this requirement, departments are required to complete confirmation forms. Prior to year end and before any forms are completed, the first step departments should take is to ensure 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 right 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. All clean up entries and confirmations must be completed by the due date in the Closing Calendar. After this date, the OSC will move any unconfirmed balances to BSA 2120 and 1342 for financial statement purposes and reverse these entries in the subsequent fiscal year.

Confirmation forms must contain only one-to-one or many-to-one fund relationships. The OSC cannot identify the source of receivables and the funds to which amounts are payable if the confirmation forms contain many-to-many fund relationships. Based on our experience in the prior fiscal year closings, the following five areas need to be emphasized in the intra/interfund receivable/payable confirmation process:

1. Send all confirmation forms, once signed by both parties, directly to the Financial Analysis and Reporting mailbox: (dpa_FARmailbox@state.co.us).
2. 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, the Buyer department should fill in the In-Transit field and provide the actual CORE balance sheet coding string where the payable is recorded at 6/30/16 (e.g., Warrants, Vouchers, or Other Payable), pending the check clearing the bank.

3. The process the OSC uses to balance these internal receivables and payables relies on having a copy signed by both the buyer and the seller. In most cases, the Seller department initiates the form, signs it, sends it to the Buyer department, who signs the form and sends it back to the Seller department. The CU System has indicated that they are unable to provide the confirmation forms for which they are the Seller department. Therefore, those departments with Buyer transactions involving the CU System are required to initiate the confirmation forms and send them to CU. The Seller department will then forward one completed copy to the dpa_FARmailbox@state.co.us. Also, the OSC no longer requires departments to move the amounts into the internal balance sheet accounts. If the Buyer or Seller departments have recorded the receivable or payable in balance sheet accounts other than an intra/interfund receivable/payable, please provide the actual CORE account coding string where the balances are recorded, and the OSC will reclassify them for statewide financial statement purposes only.

4. The confirmation form should not be used as a billing instrument, except as described below for the Department of Personnel & Administration 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.

5. The internal payable/receivable cutoff date is published in the Open/Close calendar. However, departments should complete their confirmations as far in advance of the cutoff date as possible. The completed and signed forms are due to the OSC by Period 14 close. State departments have reported that selling departments often send confirmation forms after the cutoff date. This requires buying departments to record additional expenditures and recompute their augmenting revenue late in the closing process, which adversely affects their ability to timely close their books. To address this situation the OSC is adopting the following procedure: For confirmation initiated after the cutoff date the selling department may be required to record the post-cutoff receivable as an external receivable. If the amount of the external receivable recorded exceeds the $200,000 post-closing entry threshold, the selling department must submit a post-closing entry to the OSC. Entries received under this requirement will only be posted if they are determined to be material at the financial statement level. Matching internal payable accrual will be requested from buying departments only if it is determined the internal receivable entry is material and must be posted. Buying departments may refuse posting of internal payables after the cutoff date based on this procedure.

General Instructions for Completing the Form

The internal receivable/payable confirmation form is required for all departments and institutions recording internal receivables/payables at the close of FY2017. 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. Please remember that these receivable/payables may be within a single department and either within the same fund category or between funds in that single department.
Individual receivable/payable accounts that are equal to or less than $1,000 do not need to be confirmed. All internal transactions that exceed $1,000 (in CORE accounts 137X, 139X, 1720, 1730, 236X, 239X, 2940, and 2950, or other balance sheet accounts) must be supported by these agreements. If the actual amounts are not known, an estimated amount should be agreed on by the departments involved. The confirmation forms must be signed by the controllers (or their designee) of the departments or institutions of higher education involved in the transaction. The deadline for finalizing internal receivable/payables is posted in the Open/Close calendar. Departments should reconcile the amounts in its balance sheet accounts on CORE to the detail on the Internal Receivable/Payable Confirmation Forms. However, this reconciliation should not be submitted to the OSC. Submit a signed copy of all Internal Receivable/Payable Confirmation Forms to the DPA_FARmailbox@state.co.us by Period 14 close. If e-mail is used to complete these forms, when the confirmation is complete and agreed to by both sides of the transaction, the seller should forward a copy of the entire e-mail (including replies back and forth between the Buyer and Seller), along with the confirmation form to the central mailbox and cc the buyer. This will serve as the submission of the form to the OSC by both parties and no paper copy need be transmitted.

In general, the following steps should be taken:

1. In most cases, the Seller department controller should contact the Buyer department controller to discuss the existence of the receivable/payable. The exception to this is with transactions involving the CU System. Those departments with Buyer transactions involving the CU System are required to contact CU to discuss the existence of the receivable/payable. Both sides should come to agreement regarding whether it is a valid receivable/payable and agree as to the amount (either estimated or actual). Departments may summarize multiple transactions on a single form, but not many-to-many fund relationships. If the amount is determined to be equal to or less than $1,000, no confirmation need be completed.

2. The Seller department (or the Buyer department, in the case of CU Seller transactions) should complete their portion of the confirmation form and fax or e-mail the form to the Buyer department (or the Seller department in the case of the CU Seller transactions). If the amounts are not recorded in the CORE Intra/Interfund balance sheet accounts, please fill in the actual CORE coding string where they are recorded. The OSC is concerned with having accurate CORE coding string data so we can correctly reclassify the amounts for financial statement purposes.

3. If the Buyer department agrees to the amount and coding, they should complete their portion of the form, retain a copy to support their receivable or payable, and fax or e-mail a completed copy back to the Seller department. As with #2 above, please provide the actual CORE coding string where the payable is recorded at June 30. In the case of an amount In-Transit, please fill in the In-Transit field and provide the actual CORE balance sheet coding string where the payable is recorded at June 30, pending the check clearing the bank (e.g., Warrants, Vouchers, or Other Payable). The information will be used to reclassify the amounts for statewide financial statement purposes only.

4. The seller should follow the submission instructions above.

5. If the departments cannot agree on the item or the 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 conditions on the form and submit it to Reporting & Analysis.

6. Once an agreement is reached and documented, both departments should prepare journal vouchers to accrue their receivable/payable at the agreed on amount (whether it is actual or an estimate).

7. 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 FY2019. 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.

3.19 Clearing Abnormal Balances and Clearing Accounts

Departments should clear abnormal account balances and any balances in clearing accounts prior to Period 12 close. Abnormal account balances are identified in infoAdvantage in the OSC Diagnostic folder, in the report titled OSC-003 - Abnormal Balances. Examples of clearing accounts include the Undistributed Charges codes 159x and Undistributed Receipts code 2510. This requirement in no way reduces the department’s responsibility to identify the proper distribution of amounts recorded in clearing accounts or accounts with abnormal balances.

3.20 Budgeted and Unbudgeted Transactions

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

3.21 Office of the State Controller Diagnostic Reports in infoAdvantage

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

3.22 Unrealized Gains/Losses

Unrealized gains/losses on Treasury's pooled cash will be recorded centrally, with the exception of entries for higher education institutions. Institutions will record the centrally calculated gain/loss and feed the entry to CORE, which will be communicated as outlined in the open/close calendar. Entries related to unrealized gains/losses will not be commingled with regular cash and investment balances, but instead will be posted to BSA 1105 (Cumulative Gain/Loss on Treasury Pool Cash) and BSA 1605 (Cumulative Unrealized Gain/Loss on Investment). Gains/losses will be allocated to the same population as interest income, based on the pool's total gain/loss multiplied by the department/fund's percentage of the pool based on closing cash balances as of the timing outlined in the open/close calendar for higher education institutions and Period 14 close for departments. As a result, the central entries will be a Period 15 transaction.

For department-held investments, departments will be required to record an increase/decrease in the investment balance (BSA 1605) and nonbudget unrealized gain/loss revenue (Posting Code XR02, RSRC 6050). The amount recorded represents the difference between the book value and the market value as reported on Exhibit N1.

The entries must be reversed in Period 15 in the next fiscal year centrally for non-higher education Treasury pooled cash. Institutions will record the reversal manually on their systems which will subsequently feed to CORE. Both departments and institutions will be required to reverse department-held investment entries by Period 15.

3.23 Clearing Warrants Payable

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

1. A warrant is cashed. The automatic entry in CORE is Dr. BSA 2000 and Cr. BSA 1100 (Cash).

2. A warrant is escheated. Specifically, when a warrant is not cashed within 6 months, Section 24-30-202(9)(a), C.R.S. requires that the State Controller escheat uncashed warrants and clear the liability from the department (as if cashed). Pursuant to Section 38-13-112, C.R.S. all moneys for these escheated warrants, unless there is an exception identified in statute (e.g., federal funds,) must be delivered to the Treasury’s Unclaimed Property Administrator. When warrants are escheated by the OSC the entry is: Dr. BSA 2000 (Warrants Payable) and Cr. BSA 2751 (Canceled Warrants Prior Year). Next, Treasury’s Unclaimed Property Division within Treasury creates an IET to liquidate BSA 2751, and the entry is: Dr. BSA 2751 (excluding exceptions, such as federal funds) and Cr. BSA1100. The balances remaining in BSA 2751 are the funds that were not required to go to Unclaimed Property, but must still be cleared by the Departments prior to Period 12 close. For example, federal funds must be returned to the federal government.

3. A warrant is cancelled. When this occurs, the cancellation which is processed as Version 2 of the original AD, clears the Warrants Payable and the entry is Dr: BSA 2000 and Cr: Cash Expenditure or other COA used in the original AD. If the warrant is canceled and reissued, the cancellation entry is the same as previously described and the reissue entry re-establishes a new Warrants Payable. It is important to note, if the cancellation related to an AD occurs across fiscal years (i.e., the original AD occurred in the closing fiscal year, but the cancellation occurred in the new fiscal year), the BFY on the cancellation remains the same as the original AD. As a result, the cash expenditure is reduced in the prior year BFY, instead of the new-year BFY causing budget to be out of sync in the BQ screens. Therefore, the budget-related Diagnostic Reports, not the BQ screens, take precedence and should be used for researching and resolving budget issues. CHC entries
to clear the out of sync issue are prepared by the OSC and distributed to the impacted departments to post to CORE, if not already cleared by the departments beforehand. The entries are contained in an ADS upload with FY and BFY dates specifically entered by the OSC which **must not be changed by the department**. In some cases departments may need to reactivate program elements and/or override budget errors in order to submit the CHCs to final. Since the financial statements and overexpenditure letter to the Governor are prepared based on Fiscal Year (e.g., the measurement for an overexpenditure is based on Fiscal Year, not Budget Fiscal Year) there is no fiscal or budget impact if CHC entries are not posted. Posting the CHC entries primarily affects the BQ screens, therefore budget reports remain in sync with the State’s financial reporting.

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

For additional vendor and disbursement management processes please see Chapter 9 of this Manual and the OSC website at [www.colorado.gov/pacific/osc/centralaccounting](http://www.colorado.gov/pacific/osc/centralaccounting) which contains several guides including the Warrant Escheatment Guide.

### 3.24 Governmental Fund Balance

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

- **Nonspendable Fund Balance** - This category consists of assets that are not expected to be converted into cash and includes inventories, prepaid expenses, and long-term receivables if the use of resources from the collection of long-term receivables is not otherwise restricted, committed, or assigned. Nonspendable also includes items that are legally or contractually required to be maintained intact, primarily nonexpendable permanent funds.

- **Restricted Fund Balance** - This category consists of amounts that are restricted to specific purposes, with the exception of permanent funds required to be retained in perpetuity – these are considered nonspendable. The key concept in determining what qualifies as restricted fund balance is whether an external party can legally compel the government to use the specified resources for only a specific purpose. The restriction must be externally imposed or imposed through constitutional provisions or enabling legislation. External restrictions typically result from external parties such as creditors or grantors. Constitutional restrictions include items such as tax revenue in the State Education Fund that resulted from voter approval of Amendment 23 in the 2000 election. The standard includes enabling legislation as legally enforceable; however in Colorado, courts have ruled that it is the General Assembly’s prerogative to change sources and uses of funds. That ruling essentially defaults most fund balances to the less restrictive committed classification. As a result, only external constraints and constitutional provisions are grounds for a restricted classification. Often non-legislatively created funds are established for custodial purposes and would meet the restricted requirements.

- **Committed Fund Balance** - Balances in this category must result from action at the highest level, the General Assembly, and may also be modified by action at that same level. As an example, the General Assembly creates a court fee to be used to fund education programs, but later diverts the fee to be used for witness protection. Remaining fund balances in this scenario would be considered committed. This is the
least restrictive category for legislatively created funds, and is typically the largest fund balance category.

- **Assigned Fund Balance** – Balances in this category are constrained by the intent to use resources for a specific purpose, but are not restricted or committed. This action is at a level lower than that of the General Assembly. Little activity is expected in this category as legislatively created funds are considered at least committed, and often non-legislatively created funds are established due to external requirements that put those funds into the restricted category. However, some activity such as rollforwards may fall in this category.

- **Unassigned Fund Balance** - This level of fund balance is the residual category after all other classifications have been made. This category, by definition of a special revenue fund, is not available for special revenue funds. The only exception for special revenue funds is for deficit fund balances, at certain levels. Legislatively created funds classified as general funds for financial reporting also default to the committed category. A positive unassigned fund balance is only available in the General Purpose Revenue Fund, Fund 1000.

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

Funds were classified into a default category based on an analysis of activity by fund in Fiscal Year 2011 with the implementation of GASB Statement No. 54. Based on the analysis of activity in the funds, in conjunction with the spending prioritization policy, each fund falls in a discrete classification. In CORE, the Fund Class defines the current default classification of each governmental fund, ‘RST’ for Restricted and ‘URS’ for Committed. Additionally, cash, receivables and investments in funds with an RST fund class are presented as restricted. Should a fund become partially restricted, the department is responsible to manually record the applicable portion of cash, receivables, investments, and fund balance in BSA 1034, 1634, 1345, and 3501, respectively. As new funds are created these factors are considered in consultation with departments to determine the appropriate initial classification of fund balance. Changes in classifications, due to factors such as changes to sources of revenues authorized for a fund, are annually required to be reported to the OSC on the Exhibit Q.

### 3.25 Proprietary Fund Net Position and Restricted Assets

GASB Statement No. 34 requires that Proprietary Funds report restricted assets when restrictions on the asset use change the nature or normal understanding of the availability of the asset. Cash, investments, and receivables are to be reported as restricted when external creditors, grantors, contributors or the laws and regulations of the federal government place constraints on their use. Normally, federal funds are on a cost reimbursement basis or are offset by unearned revenue and would not give rise to an asset to be restricted. These assets are also reported as restricted when they are constrained by the State constitution. They cannot be restricted solely at the discretion of the General Assembly or department management.

In order for the OSC to identify the net position of restricted assets, departments are required to account for the restricted assets and related liabilities in a restricted fund. When an entire fund is not restricted, departments must account for their restricted assets in balance sheet accounts 1034-
Restricted Cash, 1634-Restricted Investments and 1345-Restricted Receivables and should make an entry at year-end to the appropriate 32xx Restricted Fund Balance account for the amount of the restricted net position.

3.26 Closing a Fund and Fund Balance Accounting

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

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

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

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

State departments frequently request approval of documents that are intended to correct prior year errors by adjusting balance sheet and fund balance accounts. Such adjustments require full disclosure in the State Comprehensive Annual Financial Report (CAFR), and are considered an indication of a material weakness in internal control. Minimizing the need for and occurrence of such adjustments is important, and all adjustments to correct prior year errors that have been identified prior to final fiscal year close should be posted to current operating statement accounts, rather than fund balance, unless they are material for disclosure as prior period adjustments in the CAFR. Apply professional judgment to determine whether an error correction is material for CAFR disclosure and contact the OSC prior to submitting an adjustment.

3.27 Pay Date Shift

Senate Bill 03-197, later amended by House Bill 12-1246 (updating Section 24-50-104, C.R.S.), changed the pay date for salaries earned in the month of June from the last working day in June to the first working day in July (Section 24-50-104, C.R.S.). This applies to salaries paid to all state employees regardless of funding source. The legislation also changed the calculation of the General Purpose Revenue Fund (fund 1000) surplus to record salary expenditures against general-funded revenues upon payment of expenditures in July (Section 24-75-201, C.R.S.). This means salary expenditures related to the June payroll will be recorded against the FY2018 budget for general-funded salary expenditures only. The general fund pay date shift legislation does not apply to salary expenditures funded by cash or federal sources accounted for in the General Purpose Revenue Fund (Fund 1000).

Financial statements for the State must be prepared according to GAAP. Therefore, the monthly
salary expenditures must be expended for financial statement reporting in FY2018, but will be expended for budgetary reporting in FY2019. The table below summarizes the effect of June salary expenses for financial statement and budget purposes.

<table>
<thead>
<tr>
<th>Work Period</th>
<th>Normal Schedule</th>
<th>Normal Pay Date</th>
<th>Revised Pay Date</th>
<th>GAAP</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1-June 30</td>
<td>M06</td>
<td>June 29</td>
<td>July 2</td>
<td>Posts in FY2018</td>
<td>Move GF to FY2019</td>
</tr>
</tbody>
</table>

In order to accommodate the payroll disbursement on July 2, 2018, agencies using CPPS will record June payroll expenditures using the following process:

- Salaries will be reflected as accrued expenditures in the proper department/fund combinations through accounting templates based on the pay period end date, which drives the posting accounting period. The salaries will be converted from accrued to cash expenditures on pay day. The posting of these items occurs concurrently in CORE after labor is allocated several weeks in arrears. As a result, on June 30 cash is properly reflected in the payer departments/funds.

- For budgetary purposes, departments are required to generate a JVISTND or JVC document to change the payroll expenditures for the general-funded portion of the monthly payrolls by debiting a nonbudgeted posting code and crediting a budgeted posting code via Event Type XG13. The fund, department, appropriation code, and object code must be included in this entry. Department-level codes may be used if expense budgets are maintained, but are not required. For appropriation codes requiring a grant budget line, a dummy code can be established to keep the grant reporting clean.

- Payroll expenditure codes used to determine the liability entry INCLUDE ALL state personnel system and contractual salary and benefit codes.

- EXCLUDED codes are: leave payout or leave conversion pay codes (1140, 1141, 1142, 1240, 1241, 1242), client wages codes (1250, 1260, 1280), all other employee payment codes (13xx), higher education tuition reimbursements (1531, 1631), unemployment compensation and workers compensation codes (1532, 1533, 1632, 1633, 1640), compensated absence codes (18xx), and purchased services codes (19xx).

- A budgetary adjusting entry based on estimated June payroll may be processed prior to the payroll posting in June, but must be adjusted to actual amounts by Period 13 close.

- The budgetary adjusting JV1STND or JVC document must be reversed in FY2019, exactly as processed except that reversals need to be recorded in Event Type XG18. The Long Bill line item needed to reverse the entry will be reestablished in FY2019 even if it is not included in the departments FY2018 Long Bill, upon request to the dpa_FARmailbox@state.co.us. This is necessary for the correct reversal of the JV1STND/JVC document. Departments may move the budgeted payroll expenditures, as necessitated by FY2019 budget constraints. Do not move the unbudgeted expenditures.

- For employees terminating service or retiring from state service effective June 30, GAAP require payments due and payable on the effective date of termination to be accrued. These types of expenditures should not be expended in July, even if processed through the payroll system in July.
Agencies not using CPPS (except Institutions of Higher Education):

- Monthly payroll related to June should not be disbursed until July 2.
- A liability for accrued payroll payable should be recorded as of June 30, and cleared on July 2.

Budgetary reports will not include non-budgeted expenses, nor will non-budgeted expenses show on CORE BQ90/91 screens.

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

On July 1, 2010 many department information technology staff transferred to the OIT. To mitigate the normal budgetary impact of refinancing general-funded staff to cash-funded staff in FY10-11 and each fiscal year thereafter, House Bill 09-1367 allowed for the subsequent deferral of OIT service charges at the department level for budgetary purposes. The amount of the deferral is based on the general-funded portion of the agencies’ June 2010 payroll expense for the transferring staff. The impact on agencies is (was) as follows:

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

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

**Closing Year Steps**

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

**Subsequent Year Steps**

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

**Report**

Run a GA-999 report and filter on FY, and Event Type XG23. This will provide the department the expenses to shift.
3.29 Refunds and Reimbursements – Credit to Expenditures

Based on Fiscal Rule 6-6, State departments and institutions of higher education should record refunds or reimbursements to a revenue account (or accounts receivable if one was established by a credit to a revenue account), rather than a credit to expenditures. The only time a credit to the original expenditure is acceptable is if the refund or reimbursement is incidental, non-recurring, and for activities that involve a routine department function. If refunds or reimbursements are received in a subsequent fiscal year, they should be credited to a non-augmenting revenue account (RSRC 83xx) in a funding source code 999 appropriation unit.

- If refunds or reimbursements of capital construction expenditures are received, they are treated as if they were received in the same fiscal year if received during the life of the project.
- If refunds or reimbursements of federal expenditures are received, they are treated as if they were received in the same fiscal year if received prior to award expiration, and should be refunded to the awarding federal agency if received after the expiration of the award.
- If refunds or reimbursements for contracts or grants are received, they should be handled as stated in the terms of the contract or grant.

3.30 Reversions to the State Employee Reserve Fund, the Office of Information Technology, and the Legislature

Historically, all unspent general funds have been available to the General Assembly for appropriation in the subsequent fiscal year. In recent years, some of these general fund reversions have been made available for designated purposes. Beginning in Fiscal Year 2011, general fund reversions related to information technology savings were transferred to the Governor's Office of Information Technology (OIT). In Fiscal Year 2012, two additional uses of general fund reversions were authorized, one for the Legislative Department and the other to fund merit pay increases. The Office of the State Controller (OSC) calculated these reversions in conjunction with the publication of the Basic Financial Statements, with the remainder available to the General Fund. The reversions for each designated purpose have been calculated as follows:

- State Employee Reserve Fund (for merit pay reversions): House Bill 12-1321 directs that for executive branch principal departments, any unspent general funds in certain long bill line items related to personal services and operating expenses be reverted into the State Employee Reserve Fund (Fund 27E0) to fund merit pay increases. The OSC identified eligible line items based on the parameters set forth in the bill using the appropriation class to identify these line items. The Joint Budget Committee may select additional line items, but has not done so at this time. If the long bill line item has also been identified by OIT, the reversion is directed to the OIT revolving fund. Additionally, reversions into the State Employee Reserve Fund are not available in a line item approved for transfer, either to or from, as set forth in Section 24-75-108, C.R.S. For the legal BGA90 budget structure, the entire general fund reversion should be allocated to the State Employee Reserve Fund. For the bottom-line BGA91 structure, departments must allocate the general fund reversion proportionately to the State Employee Reserve Fund based on total unexpended funds in the personal services related and operating expenses line items as compared to total unexpended general funds in the bottom-line structure. The OSC will make the transfers as outlined in the open/close calendar using Event Type IN21 which records the transfer with a payable/receivable offset. The statute requires the transfer of cash to be held to occur with the publication of the CAFR. Once published, the departments will need to move the cash and receivable/payable between the State Employee Reserve Fund and Fund 1000.
Information Technology Revolving Fund: Senate Bill 08-155 authorized the transfer of general funded information technology savings to the Information Technology Revolving Fund (Fund 6130) in OIT. OIT will identify the long bill line items meeting the statutory requirement for transfer. If the long bill line item falls in the legal BGA90 structure, the entire general fund reversion goes to the Information Technology Revolving Fund. For the bottom-line BGA91 structure, reversions must be allocated based on total unexpended funds in the OIT identified line item as compared to total unexpended general funds in the bottom-line structure. OIT will identify the lines subject to reversion and the OSC will make the transfer by Period 14 close.

Legislative Department Cash Fund: House Bill 12-1301 directs unspent general funds of the Legislative Department into the Legislative Department Cash Fund (Fund 24S0). All unspent general funds of the Legislative Department go to the Legislative Department Cash Fund. The department will record this transfer by Period 14 close.

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

3.32 Retirement Payouts
Under GASB Interpretation No. 6, adopted by the State effective July 1, 2001, the fund liability in governmental funds for compensated absences is accrued when paid. Agencies should not accrue retirement payouts in a governmental fund if they are payable after the end of the fiscal year.

If an employee who is eligible to retire, announces that their retirement date is June 30 or earlier in the same fiscal year, then the department must accrue a fund liability for their retirement payout, even if the payment will not be made until the July payroll. However, if the employee announces that they are retiring July 1 or later, then there is no expenditure or fund liability at June 30, as the retirement date is in the following fiscal year. Separations other than retirements should be treated in the same manner. Accruals should be recorded using ACC and ACL documents (see Chapter 3, Section 3.2).

3.33 Specifying Contractor and Subrecipient Relationships in Contracts
Subrecipient grant transactions from one state department to another state department should not be confused with transfers between state departments. Grant disbursements to other state departments for federal or state grants should be coded to object codes 5770 through 5776. Receipt of federal or state grant revenues as a subrecipient from other state departments should be coded to revenue source codes 7500 or 76xx.

If a contract involves the disbursement or receipt of federal funds, special attention should be paid to the coding and reporting of those funds. Such contracts may result in either a subrecipient or contractor relationship between the parties involved. In general, the language in the contract specifying the party’s responsibilities determines the type of relationship involved.

Title 2 of the Code of Federal Regulations, Subtitle A, Chapter II, Part 200 (OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, a.k.a. OMB Uniform Guidance) defines a subrecipient as, “a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program; but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.” Section .330 of OMB Uniform Guidance provides guidance on making the subrecipient [grant] versus contractor determination.
It states:

Characteristics indicative of a federal award received by a subrecipient are when the organization:

1. Determines who is eligible to receive what federal financial assistance;
2. Has performance measured in relation to whether the objectives of the federal program were met;
3. Has responsibility for programmatic decision making;
4. Is responsible for adherence to applicable federal program requirements specified in the federal award; and
5. In accordance with its agreement, uses the federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Characteristics indicative of a procurement relationship between the state and a contractor are when the contractor:

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

Section .330 also discusses the use of judgment in making the determination. Section .331 discusses requirements for pass-thru entities, both subrecipient and contractor.

The State has defined grant and contract as follows. These definitions are included in the Colorado Procurement Code and consistent with the federal definition of a grant and contract.

**Grant:**

- An agreement in which a governmental body as grantor
- transfers anything of value to a grantee
- to carry out a **public purpose** of support or stimulation authorized by law
- **instead of acquiring property or services for the direct benefit or use of that governmental body,**
- a grant may include a distribution of funds.

**Contract:**

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

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

<table>
<thead>
<tr>
<th>Considerations</th>
<th>Grant</th>
<th>Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Party</td>
<td>Subrecipient</td>
<td>Contractor</td>
</tr>
<tr>
<td>Agreement (Substance not Form)</td>
<td>Grant Agreement, IA, MOU</td>
<td>Contract, PO, IA, MOU</td>
</tr>
<tr>
<td>OMB Monitoring</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>Outside Entity’s Solicitation</td>
<td>OMB Procurement</td>
<td>None</td>
</tr>
<tr>
<td>State Solicitation</td>
<td>State Grant Policy</td>
<td>State Procurement Code</td>
</tr>
<tr>
<td>Payment Basis</td>
<td>Cost Reimbursement</td>
<td>Fixed Price</td>
</tr>
</tbody>
</table>

Once the form of the agreement has been determined, the following table specifies the accounting and reporting treatment for subrecipient/contractor transactions.

<table>
<thead>
<tr>
<th>Disburser</th>
<th>Recipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor Relationship Contract (If one Dept is providing services to another Dept)</td>
<td></td>
</tr>
<tr>
<td>Code payments using object code indicating type of good or service purchased. Report expenditure on Exhibit K1. Disburser is responsible for ensuring that expenditure is an allowable cost.</td>
<td>Code receipts using revenue source code indicating type of good or service sold. Do not report on the Exhibit K1.</td>
</tr>
</tbody>
</table>

Subrecipient Relationship Contract (Receiver of grant funds)

| With Another State Department | Code disbursement using object code 5770 or 5771. Report on the Exhibit K1. In general, disburser is responsible for determining if recipient is a qualified recipient and for monitoring if recipients expenditures are allowable costs. | Code receipt using revenue source code 7500 for non-capital and 7530 for capital. Do not report on Exhibit K1. Recipient is responsible for helping disburser comply with grant requirements. Note that higher education institutions feed all subrecipient revenue to code 7500. |

| With a Non-State Entity (e.g. City and County of Denver) | Code disbursement using object codes 51xx-Intergovernmental Grants or 5781-Grants to Nongovernmental Organizations and report on the Exhibit K1. In general, disburser is responsible for determining if recipient is a qualified recipient and for monitoring if recipient’s expenditures are allowable costs. | Code receipt using revenue source code 7501 - Fed Grant/Cont – Subrecipient - External. Report on the Exhibit K1. Recipient is responsible for helping disburser comply with grant requirements. Note that higher education institutions feed all subrecipient revenue to code 7500. |

For information related to spending authority for grants and contracts see Chapter 2, Section 2.12.
3.34 Reporting to the Federal Audit Clearinghouse

Per 2 CFR §200.512, entities subject to a single audit are required to submit to the Federal Audit Clearinghouse (FAC) a Data Collection Form (DCF) and reporting package at the conclusion of the audit. The OSC makes this submission to the FAC for the State of Colorado and its departments and institutions of Higher Education.

The Office of the State Auditor performs a single audit of the State of Colorado as required by OMB Uniform Guidance, 2 CFR §200.501(a). On the DCF, the OSC submits information related to the single audit. Much of this information relates to the expenditure of Federal awards and must be collected from the State departments. Annually, State departments prepare and submit to the OSC an Exhibit K1 (Schedule of Federal Assistance), which the OSC uses to compile the required DCF information.

The reporting package includes four parts:

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

The financial statements and SEFA are prepared by the OSC. The Exhibit K1 (Schedule of Federal Assistance) discussed above should be completed by each State department and institutions of higher education receiving federal funds, which is used by the OSC to compile the annual SEFA report.

The Summary Schedule of Prior Audit Findings is prepared by the OSC under the requirements of OMB Uniform Guidance, departments should prepare and submit to the OSC an Exhibit K3 (Schedule of Prior Year Audit Recommendations). The Exhibit K3 must address Prior Years Audit Recommendations, so before the State departments prepare the Exhibit K3, the OSC will provide a copy of the Exhibit K3 to them with their respective recommendations listed. The Auditor’s Report is prepared by the Office of the State Auditor. The Corrective Action Plan is prepared by the OSC at the completion of the statewide audit. The OSC will send each State agency its audit recommendations and request information in order to compile the Corrective Action Plan. The final, approved Audit Response Form(s) which were provided to the Office of the State Auditor by department can be provided to the OSC to fulfill this request. This report must be auditee prepared, so the OSC cannot collect the State agency responses from the Office of the State Auditor.

3.35 Internal Controls for Federal Awards

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

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

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

3.36 Pension and OPEB Entries per GASB Statement Nos. 68 and 75

The OSC will develop pension and OPEB entries following an established statewide methodology in conformity with the requirements of GASB Statement Nos. 68 and 75 and guidance provided by the Colorado Public Employees’ Retirement Association (PERA). Pension and OPEB contribution information for PERA-affiliated employers which administer their own payroll & pension contributions will be provided to the OSC through Exhibit submissions. Information regarding the timing for posting of pension and OPEB accounting entries by the OSC will be included in the open/close calendar. Special department codes reserved for OSC use only will be used to allow for pension and OPEB accounting to be recorded at the department level, while segregating the pension accounting from normal operational reporting by departments. The OSC will obtain from PERA sample pension and OPEB plan disclosures for PERA-affiliated employers and distribute the PERA-provided information to all employers that issue stand-alone financial statements.


Three equity (fund balance/net position) BSA accounts are used to adjust beginning equity or transfer residual equity between funds. BSA 340A - Fund Balance – Accounting Change is applicable when the implementation of an accounting change requires restatement of beginning equity. BSA 340P – Fund Balance – Prior Period Adjustment should be used only to report the correction of an error related to a prior fiscal year. BSA 340E – Fund Balance – Equity Transfer is available for use by Institutions of Higher Education to move equity between funds related to a change in their TABOR enterprise status. See Chapter 5, Section 5, Item 5.8 for additional information on use of BSA 340E.

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

3.38 Balance Sheet Accounts 1034 and 1043

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

Balance sheet account 1034-Restricted Cash (GASB 34)

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

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

**Balance sheet account 1043-Restricted Checking-Other**

- BSA 1043 may be used for external bank accounts. On the Statement of Net Assets, it is included in Cash and Pooled Cash.
CHAPTER 3: SECTION 4
FINANCIAL STATEMENTS

Financial statement requirements are different for higher education institutions than for non-higher education departments. Requirements vary among non-higher education departments. The following is a discussion of the financial statement requirements.

4.1 Higher Education Financial Statements

Financial statements required of higher education governing boards and/or institutions are discussed in Higher Education Accounting Standard No. 17. The institution must send one copy of the draft Statement of Net Position, and Statement of Revenues, Expenses, and Changes in Net Position to the OSC by the date in the open/close calendar along with the Exhibit J. Exhibit J reconciliation items between CORE and separately-issued financial statements should relate only to differences in financial statement classification. Ending net position in CORE should agree to the ending net position of the entity-wide statement of net position of the separately-issued financial statements. The Management Discussion and Analysis that is part of the Basic Financial Statements should also be sent to the OSC as indicated in the open/close calendar. The Exhibit J should reconcile the CORE individual proprietary fund statements as of the cutoff date for document entries for the Basic Financial Statements. The individual campus and government board statements are available in infoAdvantage in the Higher Education Folder.

4.2 Non-Higher Education Agencies Financial Statements

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

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

For the agencies listed above, one copy of financial statements and related notes are to be sent to the OSC by the due date in the open/close calendar along with an Exhibit J reconciliation that shows the reconciliation of the CORE closing balances to the department’s financial statement line items. The Management Discussion and Analysis that is part of the Basic Financial Statements should also be sent to the OSC by the due date in the open/close calendar.

Departments not on the above list may prepare full GAAP disclosure statements and/or additional supplementary information if they believe that the information would be beneficial to management. These agencies are not required to submit an Exhibit J. However, all agencies are required to certify on Exhibit I that they have reviewed the infoAdvantage GA-001 report.
4.3 Suggested PERA Pension Note Language

Suggested PERA footnote language, supporting allocation tables, and amortization schedules will be distributed in early August.

4.4 Financial Statement Line Item Account Groupings

Selected agencies and all higher education institutions are required to prepare financial statements and Exhibit J as specified in sections 4.1 and 4.2 of this chapter. The instructions for Exhibit J will refer to infoAdvantage reports that are currently being updated that list balance sheet accounts and operating statement accounts that comprise line items on the statewide financial statements. Basic financial statements include:

STATEMENT OF NET POSITION (Government-wide)

BALANCE SHEET – GOVERNMENTAL FUNDS

STATEMENT OF NET POSITION – PROPRIETARY AND FIDUCIARY FUNDS

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

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

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS

As noted in the instructions, the Exhibit J should be compiled so that all CORE trial balance accounts that accumulate to a financial statement line item are grouped together and subtotaled at the financial statement line item level. Throughout the year and at year-end an infoAdvantage report is available that aggregates balances into financial statement line items. Adjusting, reclassifying, and presentation entries affecting a financial statement line item should also be subtotaled at the line item level.

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

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

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

If your department records transactions in a proprietary fund, you may need to submit Exhibit V2. Higher education institutions are not required to submit Exhibit V2 because they are required to disclose noncash transactions on the cash flow statement exhibit (see Exhibit V1).

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

- Department fund-type accounting should not be done in proprietary funds. If you are holding and disbursing cash for another entity or fund (and therefore making no entries to operating statement accounts), the activity should be accounted for in an agency fund.
- Journal voucher type transactions (account adjustments) should not be done on documents involving cash, such as PRCs, GAXs, CRs, etc.
- When holding cash or disbursements on the balance sheet, for instance in unearned revenue or undistributed charges or receipts, the transaction that eventually distributes the receipt/disbursement should include an impact on cash. This will result in an equal debit and credit to cash with zero net impact on cash, but it will allow the OSC to identify the operating statement account impacted by the deferred cash accounting distribution.

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

GASB Statement No. 39 requires foundations or other entities that meet certain requirements to be discretely presented as component units in the State financial statements. State Controller policy is that foundations with assets or revenues in excess of $185 million would be discretely presented as component units in the State financial statements. The $185 million threshold is a starting point, and entities meeting the threshold will be further evaluated which may result in inclusion or exclusion of the entity as a discretely presented component unit. Currently this requirement applies only to higher education institution foundations. However, any State department that has a relationship with an entity that meets the requirements of GASB Statement No. 39 and exceeds the $185 million threshold must comply with the requirements of this section.

In order to evaluate these foundations and include them as discretely presented component units (DPCUs), as applicable based on the further evaluation, the OSC requires audited financial statements of the foundations meeting the threshold. The state department to which the DPCU is related must provide the audited foundation financial statements at the earliest date they are available, but not later than the due date in the open/close calendar (one week after Period 15 close). Because most of the DPCUs have the same fiscal year-end as the State, the OSC will present the applicable DPCUs financial information from the prior fiscal year in the Basic Financial Statements required by Colorado Revised Statutes at September 20. The OSC will update the DPCUs financial information for the Comprehensive Annual Financial Report using the applicable current year audited financial statements of the DPCUs.

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

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

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

The majority of entities potentially meeting the criteria in GASB Statement Nos. 14 and 61 for discrete presentation in the State’s financial statements are created in State statute. The OSC annually evaluates statutorily created entities as part of its review process. However, potential component units not created in statute must be reported to the OSC. For example, a nonprofit entity associated with a department or institution could meet the criteria for inclusion as a component unit in the State’s financial statements. Similar to GASB Statement No. 39 entities, to evaluate and include these entities as discretely presented component units (DPCUs), as applicable, the OSC needs the audited financial statements of nonstatutorily created entities with assets or revenues in excess of $30 million. The state department to which the nonstatutorily created DPCU is related must provide the audited financial statements at the earliest date they are available, but not later than the due date in the open/close calendar (one week after Period 15 close). The requirements as outlined for GASB Statement No. 39 entities in the previous section for similar inclusion in state department/institutional audited financial statements, and the use of specific receivable and payable coding apply to entities identified in this section.

Because most of the DPCUs have the same fiscal year-end as the State, the OSC will present the applicable DPCUs financial information from the prior fiscal year in the Basic Financial Statements required by Colorado Revised Statutes at September 20. The OSC will update the DPCUs financial information for the Comprehensive Annual Financial Report using the applicable current year audited financial statements of the DPCUs.

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

If you have a receivable or payable with a foundation that meets the reporting requirements for a DPCU, please ensure that the receivable is recorded in CORE in balance sheet account 1395-Receivable from Component Units and the payable is recorded in balance sheet account 2350-Payable to Component Units, 2825-Capital Lease Payable to Component Units, or 2980-Long Term Payable to Component Units.
CHAPTER 3: SECTION 5
SUPPLEMENTAL INFORMATION FOR STATEWIDE REPORTING / EXHIBITS

Additional information, which cannot be obtained from CORE, is needed for statewide reporting purposes. Exhibits must be based on CORE data as of the Period 14 close as provided on the Exhibit Reconciling Balances Report, which will be available in infoAdvantage after Period 14 close. Exhibits and instructions are available on the OSC’s website at: https://www.colorado.gov/pacific/osc/fiscalprocedures.

Departments are not required to complete an exhibit that is not applicable. Instead, clearly indicate which exhibits are applicable on the Department Exhibit Listing form. Also, do not aggregate agencies on the exhibits except on Exhibits I and J if appropriate.

Submit the Department Exhibit Listing and all applicable exhibits (except Exhibit I and Exhibit R) in electronic format to the dpa_FARmailbox@state.co.us. Note the “Date Prepared” line on each exhibit. The OSC will refer to this date to ensure that the latest version of each department’s exhibits is used in preparing the State’s financial statements. Be sure to include the appropriate contact information including an e-mail address on each exhibit submitted. Delete any unused exhibit tabs on the spreadsheet submitted to the OSC, and be sure that the exhibits submitted are reported on the Department Exhibit Listing page.

Post Closing Adjustments

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

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

♦ Each entry may contain no more than a single entry. Note in the explanation if related entries should be considered in posting an entry.

♦ Provide a detailed explanation of the proposed entry in the description field. The explanation should include the initial condition, the error, and the correction of the error. The explanation must be detailed enough that no prior knowledge of the conditions leading to the proposed entry is necessary and should be sufficient for audit purposes. Indicate whether the entry will impact another exhibit, whether the entry will be posted to stand-alone statements (if applicable), and any other unusual circumstances that would affect the decision regarding whether or not to post the entry.

♦ Revisions to post-closing entries must be incremental once an initial entry has been approved. An incremental revision must include a cross-reference to the original documents previously approved and clearly indicate that it is a revision.

A post-closing entry should not be submitted for presentation differences noted on the Exhibit J Financial Statement Reconciliation. The Office of the State Auditor or its designee may identify other errors that were not deemed material for the departments’ financial statements, and therefore, an audit adjustment
was not proposed. These types of errors that exceed the threshold must also be submitted to the OSC via a post-closing CORE entry.

The State of Colorado does not present comparative financial statements. Therefore, departments should not submit post-closing entries impacting prior year account balances. All adjustments applicable to prior years identified after Period 14 close must be submitted for consideration as a current year prior-period adjustment that debits or credits a fund balance account rather than an operating statement account. After the cutoff date for post-closing entries as published in the open/close calendar, do not include updated related exhibits with the proposed entry. Entries after the cutoff date are considered audit adjustments and will not be posted if deemed material. If approved, the OSC will request a revision of the related exhibits.

**Additional Requirements Related to the Exhibit J only:**

In some instances, a post-closing adjusting entry may be recorded on department financial statements but not approved for the State CAFR. When this occurs, the adjustment will be a reconciling item on the Exhibit J in the initial year and also in the subsequent year because the entry must be posted to CORE in the subsequent year. In the Exhibit J the adjustment must be reported in the CY or PY Unposted & Immaterial Adj. column.
CHAPTER 3: SECTION 6
STANDARDS ISSUED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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

- Inform agencies of new standards under GASB, including a brief description and both suggested and required accounting and reporting issues as they relate to the standard. This includes providing guidance on any required CORE coding structure.

- Provide agencies with a preview of accounting standards that are soon to come and their potential impact on agencies’ accounting and reporting requirements. This includes addressing standards that may take more than one fiscal year to implement.

Each department is responsible for gaining a thorough understanding of and implementing GASB requirements applicable to their operations. GASB statements are available on the GASB website and other publications may be purchased on the GASB website at:

[http://gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391](http://gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391)

6.1 What’s New
The following GASB standards will be evaluated for implementation during Fiscal Year 2018:

- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- GASB Statement No. 81 – Irrevocable Split-Interest Agreements
- GASB Statement No. 85 – Omnibus 2017
- GASB Statement No. 86 – Certain Debt Extinguishment Issues

6.2 What’s Coming
The following GASB standard will be evaluated for implementation during Fiscal Year 2019:

- GASB Statement No. 83 – Certain Asset Retirement Obligations

The following GASB standard will be evaluated for implementation during Fiscal Year 2020:

- GASB Statement No. 84 – Fiduciary Activities

The following GASB standard will be evaluated for implementation during Fiscal Year 2021:

- GASB Statement No. 87 – Leases
6.3 GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The State plans to implement the provisions of GASB No. 75 as it relates to its cost-sharing, multiple-employer Postemployment Health Care Trust Fund (HCTF) administered and managed by the Public Employees Retirement Association (PERA). A workgroup was formed with the Office of the State Controller with a subset of controllers from the Higher Education Financial Advisory Committee (FAC) to agree upon new chart of account elements in CORE necessary to implement the standard.

The OSC will implement the standard centrally considering the following elements – Collective OPEB Liability, Collective Deferred Inflows and Outflows of Resources related to OPEB, Employer-Level Deferred Inflows and Outflows of Resources, and Collective Pension Expense.

- The collective OPEB liability represents State’s share of the Unfunded Accrued Actuarial Liability for the HCTF measured based on PERA’s 12/31/2017 CAFR. Governmental liabilities will be recorded in fund 4710 and proprietary and fiduciary liabilities in the funds in balance sheet account 2900 – PERA OPEB HCTF Liability.

- PERA will provide the net OPEB liability, the collective deferred inflows and outflows, and collective pension expense for the State Division and each PERA employer's share of the division, typically the cabinet and sometimes department level. If necessary, the OSC will further allocate between funds when a single PERA employer has both governmental and proprietary or fiduciary funds based on calendar year HCTF contributions.

- Initial implementation considerations – the majority of the impact will be reflected as an Accounting Change directly impacting net position for the Net OPEB Liability and related deferred inflows and outflows as of 12/31/2017.

The OSC will record the entries centrally with the exception of institutions of higher education, which will record the entries on their system and in the State’s Financial System (CORE). See the open/close calendar for details on the specific dates.

The standard requires extensive disclosures that are in the process of review. Once developed, the OSC will distribute suggested disclosures based on PERA’s example disclosures for those issuing stand-alone financial statements.

6.4 GASB Statement No. 81 – Irrevocable Split-Interest Agreements

The primary objective of this Statement is to improve accounting and financial reporting by establishing recognition and measurement requirements for irrevocable split-interest agreements.
Irrevocable split-interest agreements are a specific type of giving arrangement used by donors to provide resources to two or more beneficiaries, including governments. The Standard establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts—or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements—in which a donor irrevocably transfers resources to intermediary. The intermediary administers these resources for the unconditional benefit of a government and at least one other beneficiary. Examples of irrevocable split-interest agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

If a state department or agency is an Intermediary, Remainder Interest Beneficiary, Lead Interest Beneficiary, or has a Life-interest in Real Estate, the State may need to recognize assets, liabilities, and/or deferred inflows of resources related to the Irrevocable Split-Interest Agreement. Irrevocable Split-Interest Agreements should be reported on the Exhibit U3, and agencies should reach out to their assigned Financial Specialist if they think such an agreement exists.

6.5  GASB Statement No. 85 – Omnibus 2017

This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

- **Blending Component Units** – for a primary government that is a business-type activity and uses a single column for financial statement presentation of its business-type activities, a component unit may be blended only if the component unit meets a criterion for blending in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended.*

- **Goodwill** – for acquisitions that occurred prior to the effective date of Statement No. 69, *Government Combinations and Disposals of Government Operations*, paragraph 39 of Statement 69 should be applied for circumstances in which consideration provided exceeded the net position acquired and (b) “negative” goodwill should not be reported.

- **Fair Value Measurement and Application** – each unit of account of real estate held by insurance entities should be classified either as an investment or as a capital asset, based on whether the unit of account meets the definition of an investment in Statement 72. The money market investments and participating interest-earning investment contracts described in paragraph 69c of Statement 72 may be measured at amortized cost to the extent permitted by paragraph 9 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

- **Postemployment Benefits** – several topics surrounding postemployment benefits are addressed such as timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus; recognizing on-behalf payments for pensions or OPEB in employer financial statements; presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB; classifying employer-paid member contributions for OPEB; simplifying certain aspects of the alternative measurement method for OPEB; and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit plans.
OPEB plans. These topics largely only may affect the OSC, and the OSC will evaluate each provision for its’ applicability to the State’s financial statements.

6.6 GASB Statement No. 86 – Certain Debt Extinguishment Issues

This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired.
CHAPTER 4: SECTION 1
CAPITAL CONSTRUCTION

This chapter addresses capital construction (which includes IT projects, unless noted otherwise), capital assets, capital debt, and discusses issues related to establishing carrying forward and reverting spending authority for controlled maintenance and capital construction projects. This chapter also provides guidance on the proper accounting for expenditures, augmenting revenues, and retainage payable related to capital construction projects. Fund 4610 is used to account for all capital construction activity that is either partially or fully general-funded, and Fund 4620 is used to account for nongeneral-funded activity and nonappropriated capital construction projects unless otherwise approved by the OSC.

1.1 Recording Long Bill, Special Bill, and Supplemental Capital Construction Appropriations

All capital construction appropriations (Long Bill, Special Bill, and Supplemental) are recorded in the Performance Budgeting (PB) Module and interfaced into CORE.

Long Bill appropriations are effective upon signature by the Governor, which typically occurs in May, prior to the beginning of the new fiscal year. As a result, capital construction spending authority must be booked in the fiscal year the bill is signed by the Governor, even if there are no plans to expend any of the project(s) money until the new fiscal year. This is necessary for proper budget reconciliation and financial reporting. Special Bill and Supplemental appropriations occur in the fiscal year identified in the appropriation bill.

Capital construction appropriations carry a minimum of a three-year life which can be further extended if the department has encumbered funds by the end of the three-year life. Appropriations to an existing capital construction project must retain the original project number and appropriation rollup coding (i.e., appropriation type, group, class, and project number provided by the Capital Development Committed). For new projects, FSU staff will work with the departments to create appropriate coding. Unless otherwise requested by the department, the last four characters of the new appropriation unit(s) will include the CDC project number.

Departments are responsible for ensuring PB contains the correct data (appropriation units, funds, and amounts) for each project. Once PB data has been reviewed by the department, OSPB, and the OSC, the data is interfaced into CORE.

1.2 Restrictions on Spending Authority

Shortly after the capital construction budget is recorded in CORE, the OSC prepares and uploads BGA90/91 documents to restrict all budget lines in the year they were recorded, unless specifically exempted from restriction. This restriction applies to capital projects, controlled maintenance projects, and information technology projects. Exemptions include the Department of Personnel & Administration’s Controlled Maintenance Emergency Account, the Department of Natural Resources’ Division of Parks and Wildlife Projects funded by GOGO and Lottery proceeds, and the Department of Transportation’s Highway Projects. If a Supplemental or a Special Bill increases an appropriation, the OSC will also increase the restriction, conversely if the appropriation is decreased, the OSC will also decrease the restriction unless already fully unrestricted by the department.

To remove a restriction, departments must submit a BGA90/91 document as an increase using Event Type BG03 and the SAI code used on the original restriction. The appropriate documentation must also be attached as described below:

**Capital Construction (i.e., Brick & Mortar) and Controlled Maintenance Projects:** are managed by the Office of the State Architect and require that a Construction Project Application (SC4.1 Form) be completed to receive spending authority for a project. Each department and institution of higher education should have an official who has been delegated by the Office of
the State Architect to approve and sign the SC4.1. In addition to the delegated official’s approval, all institution of higher education projects are also approved using the SC4.1 by the Department of Higher Education. Finally, only the Office of the State Architect can approve the SC4.1 for emergency controlled maintenance projects or transfers of controlled maintenance appropriations from one project to another project.

**Non-Higher Education IT Projects:** are managed by the Office of Information Technology (OIT) as set forth in Executive Order D 016 07. In order to begin spending an IT appropriation, OIT will issue a “Letter of Intent” to the State Controller and copy the department to certify the project. There is only one certification letter for the life of the IT project, even if additional funding is provided in future years. If OIT revokes a certification a second letter will be sent to the OSC for that particular project and the project appropriation shall be immediately inactivated.

**Higher Education Institution IT Projects:** are generally managed by each institution. The institutions’ IT offices complete a higher education version of the OIT “Letter of Intent”. For question related to the form, please contact the Department of Higher Education.

### 1.3 Six-Month Rule

Departments receiving capital construction appropriations (capital projects, controlled maintenance projects, and information technology projects) must comply with Section 24-30-1404(7), C.R.S. which is known as the six-month rule. The purpose of the rule is to encourage capital construction projects are started as soon as funds are available. Statute requires, except for specific exemptions listed in the statute, that a professional services contract be executed and encumbered within six months after the appropriation becomes law. If a professional services contract is not needed, the department must have a vendor contract encumbered within six months of when the funds are available. If the project appropriation is for equipment, a Purchase Order or Contract document should be executed and processed in CORE or a higher education institution’s financial system within six months of when the funds are available. If the department or higher education institution cannot meet the six-month rule, it may send a request directly to the CDC for a recommendation to the State Controller that the deadline be waived. If the OSC approves the request, the department will be notified in writing. Since the capital construction appropriation is effective upon signature, the six-month deadline for projects funded in the annual Long Bill is six months after the Governor signs the bill. Six month dates will be communicated to the departments once the Long Bill has been signed.

For new projects funded in Special and Supplemental Bills, the six-month deadline is six months after the effective date of the legislation. The six-month rule applies to the initial appropriation only; if additional funding is later appropriated to the project the six-month rule does not apply to the additional funding. The six-month rule does not apply to a capital construction project at a higher education institution that is to be constructed solely from cash funds held by the institution.

To certify that a project has met the six-month rule, departments must complete the OSC’s Capital Construction / Controlled Maintenance Project Six-Month Encumbrance Certification Form which can be found at: [https://www.colorado.gov/pacific/osc/financial-resources](https://www.colorado.gov/pacific/osc/financial-resources). This form must be completed for each project that is subject to the six-month rule. The Controller/CFO and Project Manager will certify to the OSC that the encumbrance recorded on CORE or the higher education institution’s financial system meets the requirements contained in Section 24-30-1404(7), C.R.S.

A memorandum of understanding (MOU) has been signed between the CDC and the OSC regarding the enforcement of the six-month rule. If the full amount of the encumbrance required by the statute cannot be met, the MOU allows a department or institution to include an amount in its project plan that will be encumbered by the six-month deadline. Justification for the proposed
amount is required. If the stated encumbrance amount cannot be met by the six-month deadline, the department may send a request directly to the CDC for a recommendation to the State Controller that the deadline be waived.

Forms may be completed any time prior to the six-month deadline and emailed to dpa_FARmailbox@state.co.us. Electronic signatures are acceptable.

The OSC will restrict capital construction appropriations that are subject to the six-month rule and have not been certified by the applicable deadline, preventing the posting of any additional budgetary or accounting transactions against the project. Questions about this policy should be directed to the OSC.

1.4 Carryforward and Reversion of Capital Construction Appropriations

In accordance with the headnotes to the capital construction section of the Long Bill, capital construction appropriations, if initiated within the fiscal year of appropriation, are available until completion of the project or for a period of three years, whichever occurs first. The three year start date begins with the first full fiscal year that the appropriation is available. For example, as discussed previously, the Capital Construction Long Bill is typically signed in May (just prior to fiscal year end); therefore, the three year clock begins on July 1 of the new fiscal year. Once the three year period has expired, the appropriation may continue to remain available into the next year for the amount encumbered on the project (e.g., by Purchase Order, Contract) as of June 30. Also personal services costs for IT projects must be encumbered as of June 30 using a GAE document or other means for institutions of higher education that do not record detailed capital construction expenditure in CORE (see Chapter 4, Section 1.7 for more discussion on allowable expenditures for IT projects). Requisitions in process on June 30 or contracts with an effective date subsequent to June 30 are not acceptable support for requesting the continuance of spending authority for capital construction projects. Any changes to a project (including name changes, increases or decreases to an appropriation or new fund source) result in a restart of the three year clock. The OSC utilizes the Short Name Field in the Appropriation Class Table in CORE to maintain expiration dates.

Prior to the carryforward of spending authority, it may be necessary for departments or institutions to record purchase orders into the new fiscal year. To facilitate this, zero dollar budget lines are created by the OSC in the new fiscal year (see Chapter 2, Section 2.11).

For projects within the three year period, the OSC will process the appropriate BGA90/91 documents in CORE to carryforward spending authority into the subsequent fiscal year. The carryforward amount is the unobligated spending authority (i.e., Fiscal Year budget less Fiscal Year expenditures). Once the carryforwards are complete, any restrictions placed on those budget lines in the old year will also be placed on the new-year budget lines.

For projects outside of the three year period (referred to as expired projects), if a department wishes to carryforward the amount encumbered on a project as of June 30, the department will need to process the appropriate BGA90/91 document for the amount using Event Type BG04 and SAI 8 and attach documentation supporting the encumbrance amount (e.g., PO, CT, GAE). To help identify which projects are expiring see infoAdvantage OSC-019 - Capital Construction Reversions and Carryforwards Report, and the tab for expiring projects. Any unencumbered spending authority not carried forward must be reverted. To process a reversion, departments will need to enter a BGA90/91 document using Event Type BG03, SAI 6.

1.5 Art in Public Places

Per Sections 24-48.5-301 and 312, C.R.S. a certain percentage of construction costs of capital construction projects is allocated to the Arts in Public Places program administered by the Colorado Council on the Arts. The expenditure of capital construction funds from the project into
the Creative Industries Cash Fund must occur within the three-year life of the capital construction project. Funds received for the Arts in Public Places program in the Creative Industries Cash Fund are governed by the applicable statute. The six-month rule or three-year life requirements of capital construction projects do not apply to these funds as these requirements were met in the overall individual capital construction project. It is the department’s responsibility to provide to OEDIT with a SC4.1 form in order to receive funding.

### 1.6 Capital Construction Fund Revenues

Matching cash and federal revenue should be earned in proportion to the capital construction fund appropriation available for total expenditures on no less than a monthly basis, unless otherwise statutorily exempted (e.g., several institutions of higher education are statutorily exempted per Section 24-75-303(3.5), C.R.S. and have the flexibility to spend non-proportionally). For projects funded wholly or in part with cash funds including insurance recoveries, and federal funds accounted for in the capital construction fund (Fund 4610), excess cash earnings should be carried forward as cash and/or federal funds. Cash and federal fund balance should be identified by preparing a JV1STND with Event Type XG30 to reflect the use of fund balance in the new fiscal year using revenue source code 9523. Carryforward fund balance from Highway User Tax Fund sources should be handled similarly, except using revenue source code 9521. The OSC will use Event Type XG30 to reserve fund balance in the capital construction fund for earned, but unspent cash funds.

### 1.7 Capital Construction Fund Expenditures

Expenditures for a capital construction project related to the cost of land, materials, and labor used in the construction of a building or permanent structure, or purchase of furniture or equipment should be debited to the appropriate expenditure object code.

Charges appropriate for capital construction projects have been identified in conformance with the statutory definition of capital construction included in Section 24-30-1301, C.R.S. The following list covers the object codes that should cover the majority of transactions departments and institutions normally need to record expenditures of capital construction projects. In limited instances, such as IT projects, other object codes may be appropriate. For example, according to Section 24-30-1301, C.R.S., personal services costs on capital construction projects are unallowable, however, IT projects are not within the definition of capital construction in this statute, therefore these cost, if within the project’s scope, would be allowable to be charged to the capital construction IT appropriation for the project.

Each set of codes is followed by a general description of their use for capital construction purposes:

- **As a general rule, object codes 19xx are used to record expenditures of independent consulting contractors (Part 14 of Article 30 Title 24, C.R.S.).**
- **Object codes 22xx and 3126 are generally used for state controlled maintenance projects.**
- **Object codes 23xx are used for general contractor services.**
- **Object codes 2253 Rental of Equipment, 2610 Advertising, 2810 Freight, 2820 Other Purchased Services, 3128 Noncapitalized Equipment, and 4200 Purchase Discounts should be used as appropriate. Rental of equipment is related to the rental of construction equipment to complete a project. Object code 2610 should be used for advertising related to the project (e.g., bid awards, end-of-project notifications). Printing/reproductions costs include the costs to provide the prime contractor with a reasonable number of plans and specs to distribute to sub-contractors for use during the project.**
- **Object codes 61xx and 62xx are used for the direct purchase of capital equipment.**
Object codes 63xx should only be used for projects that have been approved for lease purchases.

The following types of expenditures should be charged to a department or institution’s operating budget and are not appropriate to be charged to “brick and mortar” capital construction/controlled maintenance projects:

Although not chargeable to a capital construction project, personal services, including classified service employees and exempt contract employees, paid from operating budgets may meet capitalization criteria, particularly within intangible assets.

All administrative expenditures including, but not limited to, travel, postage, telephone and fax, and general printing/reproduction costs.

At the end of the fiscal year and prior to Period 13 close, departments should review all capital construction projects to identify projects completed and closed during the year. The intent of this review is to ensure that all costs of the closed project(s) meeting the capitalization criteria are recorded in a fixed asset account. This includes the reclassification of amounts previously recorded in construction in progress and current year expenditures recorded in various object codes. For capital construction projects completed and closed during the fiscal year, a FA document should be prepared in CORE prior to Period 13 department close transferring the total cost of the project, including costs previously recorded in the construction in progress balance sheet account (BSA 1860) to the appropriate balance sheet account in the Responsibility Center (GFAAG) for governmental funds (Fund 4710), or the applicable proprietary fund. For capital construction projects not completed by the end of the year, a FA and FI document should be prepared in CORE to record expenditures incurred to date meeting the capitalization criteria in BSA 1860.

See the CORE website for detailed directions and instructions for Construction in Process and step action table to assist in creating the documents needed in CORE to correctly record Construction in Process.

1.8 Retainage for Capital Construction Projects

Before Period 13 close, departments should verify that the balances of their retainage account (Account 2315) related to each project are correct. If the balance is incorrect, but the expenditure for the payments was recorded correctly, it is not necessary to record a reclassification of the retainage as a liability to the contractor or receivable from the contractor. If the expenditure was incorrectly recorded, make correcting entries as necessary.

Higher education institutions should follow the guidance provided in Higher Education Accounting Standard No. 9, as revised, when recording retainage payable.

1.9 Relationship Between Fund 4610 and 320x/305x (Higher Education Funds)

With the implementation of CORE, the detailed accounting for projects is maintained in each higher education institution’s internal financial system, rather than in CORE. However, budgetary compliance is still measured in the Capital Construction Fund (Fund 4610). Specifically, capital construction appropriations are recorded in the Capital Construction Fund in CORE and from there institutions may transfer cash out of the Capital Construction Fund to its fund via an IET document. Institutions shall not draw funds without supporting expenditures. For cash appropriations, institutions shall regularly record matching transfer revenue and expense reflecting its share of expenditures on a periodic basis, but no less than quarterly. The OSC will monitor Capital Construction expenditures as compared to institution project expenditures to ensure budgetary compliance. The higher education Capital Construction Transfers Compared to Institutional Fund Expenditures infoAdvantage report in the OSC Diagnostic Folder will be used to monitor this activity.
1.10 Emergency Maintenance Projects

The Department of Personnel & Administration (DPA) will notify departments/institutions annually of emergency maintenance projects that are appropriated to DPA for maintenance of assets owned by departments/institutions where the total project expenditures are expected to be $50,000 or more. If the project meets the requirements of increasing the capacity, efficiency, or extending the useful life of the asset, the department or institution should capitalize the cost of the project on their books at the completion of the project. This will support the department recovering the cost of the project through depreciation in the departments indirect cost plan or indirect cost rate. It is the departments’/institutions’ responsibility to notify DPA whether or not the project will be capitalized at the department/institution. Emergency maintenance projects with expenditures totaling less than $50,000 or that are over $50,000, but do not meet the capitalization requirements, will be expensed and included in the Statewide Cost Allocation Plan for purposes of indirect cost recovery.

1.11 Non-Capitalizable Emergency Maintenance Project Duplicate Expenditures – Higher Education Only

Normally, expenditures related to noncapitalizable emergency maintenance projects are reflected as expenditures of DPA only. However, for higher education institutions, the expenditures must also be duplicated in the higher education enterprise fund (Funds 305x/320x) to support the calculation of state support (in this case, contributed capital) for TABOR purposes. Specifically, the institution’s entry in CORE should be a debit to the appropriate expense code and a credit to RSRC 8800-Contributed Capital. To support this process, DPA establishes appropriation units for each project and records emergency maintenance expenditures to those appropriation units only. The institutions of higher education can run an infoAdvantage report (OSC-015, Higher Ed noncapitalizable DPA Emergency Controller Maintenance Projects) which shows DPA’s cumulative noncapitalized expenditures for the fiscal year for each project on the first tab and the institution’s cumulative amount recorded to RSRC 8800-Contributed Capital. The OSC-015 report is updated quarterly for any appropriation code updates, e.g., additions for new projects or deletions for completed projects. The institutions can use this report throughout the year to determine DPA’s expenditures and make the necessary entries in their enterprise fund as discussed above. At the end of the year, DPA’s expenditures on the first tab of the report should equal the institution’s amount recorded as contributed capital on the second tab. The OSC also uses this report to eliminate the duplicate expenditures to appropriately reflect expenditures for the state’s financial statements.

1.12 Funding Future Capital Construction, Controlled Maintenance, or Capital Projects

The General Assembly enacted legislation to provide for a set aside of funding to cover future year projects. Section 24-30-1310, C.R.S., discusses the specific requirements. The following are key highlights from the statute:

- The requirements are applicable to all Capital Construction projects listed in the FY2016 Long Bill (SB15-234) and subsequent appropriation bills, except those listed below:
  - Projects from the Lottery Fund (Fund 5030);
  - Projects from the Limited Gaming Fund (Fund 4010);
  - IT projects; and
  - DNR’s Division of Parks and Wildlife projects funded from lottery proceeds.
• For Institutions of Higher Education, the statutory requirements only apply to general funded projects and the general funded portion of split-funded projects. The statute does not apply to Institutions of Higher Education cash funded projects or the cash funded portion of split-funded projects.

• The effective date applicable to a specific Capital Construction project is the date the project is put in service or the date depreciation starts accumulating.

• The calculated amount of depreciation for the year will be calculated by the department, and then communicated to the JBC for inclusion into the Long Bill through the normal budgeting process.

• The annual depreciation calculation will equal the “Annual Depreciation-Lease Equivalent Payment Line” amount in the Operating section of the department’s Long Bill beginning with the FY2019 Long Bill. This would be 3 years after the initial 2016 projects were appropriated and expected to be put into service.

• If the funding source for the Capital Construction appropriation is a combination of funding sources (General, Cash, Reappropriated, and/or Federal), then the annual set aside amount must be made in proportion to the funding sources in the appropriation.

In order to comply with statute, departments need to complete the following entries in addition to their normal year-end GAAP depreciation entries. The OSC believes that entries below will not have an impact on the Cash Funds Uncommitted Reserves Report per that calculation in Chapter 5, Section 5 of the Fiscal Procedures Manual.

**Cash Funded Projects**

**Entries for Fiscal Years 2016, 2017 and 2018:**

For any applicable project in the FY2016, 2017 or 2018 that was placed in service/began depreciating in FY2016, FY2017 or FY2018 would need to make the following entry.

Calculate the depreciation expense for that year, and Transfer the year’s depreciation equivalent amount into the Cash Fund’s Capital Reserve Account:

\[
\begin{array}{ccc}
\text{BSA} & \text{Cash Fund} \\
\text{Dr} & \text{Fund Balance - Committed} & 3400 & $xx \\
\text{Cr} & \text{Capital Outlay Reserve C.R.S. 24-30-1310} & 340C & $xx \\
\end{array}
\]

**Entries for Fiscal Years 2019 and Beyond:**

If an “Annual Depreciation-Lease Equivalent Payment Line” appropriation is given, then the following entries would be needed.

\[
\begin{array}{ccc}
\text{Cash Fund} \\
\text{Dr} & \text{(Budgeted)} & 7950 & D025 & $xx \\
\text{Cr} & \text{(Non-Budgeted)} & 7950 & XD04 & $xx \\
\end{array}
\]

By debiting the budgeted Object Transfer Code this will show as a budgeted expense against the Long Bill appropriation, and by crediting the non-budgeted Object Transfer Code will show as an off-set for CAFR purposes. This is similar to recording 9523 revenue where the net effect for financial statement purposes is zero.
Transfer the year’s depreciation equivalent amount into the Cash Fund’s Capital Reserve:

<table>
<thead>
<tr>
<th></th>
<th>BSA</th>
<th>Cash Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Fund Balance - Committed</td>
<td>3400</td>
<td>$xx</td>
</tr>
<tr>
<td>Cr Capital Outlay Reserve C.R.S. 24-30-1310</td>
<td>340C</td>
<td>$xx</td>
</tr>
</tbody>
</table>

If there is no “Annual Depreciation-Lease Equivalent Payment Line” appropriation given, then the prior entries would not be needed.

**Cash Funded Projects with Financing Arrangements Including Lease Purchase Agreements**

**Entries for Fiscal Years 2016 and Beyond:**

If an “Annual Depreciation-Lease Equivalent Payment Line” appropriation is given, then the following entries would be needed.

<table>
<thead>
<tr>
<th></th>
<th>Object Code</th>
<th>Posting Code</th>
<th>Cash Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr (Budgeted)</td>
<td>7950</td>
<td>D025</td>
<td>$xx</td>
</tr>
<tr>
<td>Cr (Non-Budgeted)</td>
<td>7950</td>
<td>XD04</td>
<td>$xx</td>
</tr>
</tbody>
</table>

This is to transfer the 1% of the project costs for the year into the Capital Reserve Account:

<table>
<thead>
<tr>
<th></th>
<th>BSA</th>
<th>Cash Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Fund Balance - Committed</td>
<td>3400</td>
<td>$xx</td>
</tr>
<tr>
<td>Cr Capital Outlay Reserve C.R.S. 24-30-1310</td>
<td>340C</td>
<td>$xx</td>
</tr>
</tbody>
</table>

If there is no “Annual Depreciation-Lease Equivalent Payment Line” appropriation given, then the above entries would not be needed.

**General Funded Projects**

**Entries for Fiscal Years 2016 and Beyond:**

If an “Annual Depreciation-Lease Equivalent Payment Line” appropriation is given, then the following entries would be needed.

99% transfer from the General Fund to the Capital Construction Fund:

<table>
<thead>
<tr>
<th></th>
<th>Object Code</th>
<th>Posting Code</th>
<th>Fund 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Capital Outlay Transfer-Out C.R.S. 24-30-1310 (Budgeted)</td>
<td>70CC</td>
<td>D025</td>
<td>$xx</td>
</tr>
<tr>
<td>Cr Cash</td>
<td>1100</td>
<td>A001</td>
<td>$xx</td>
</tr>
</tbody>
</table>

1% transfer from the General Fund to the Controlled Maintenance Trust Fund:

<table>
<thead>
<tr>
<th></th>
<th>Object Code</th>
<th>Posting Code</th>
<th>FUND 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Capital Outlay Transfer-Out C.R.S. 24-30-1310 (Budgeted)</td>
<td>70CC</td>
<td>D025</td>
<td>$xx</td>
</tr>
<tr>
<td>Cr Cash</td>
<td>1100</td>
<td>A001</td>
<td>$xx</td>
</tr>
</tbody>
</table>
If there is no “Annual Depreciation-Lease Equivalent Payment Line” appropriation given, then the above entries would not be needed.

**General Funded Projects with Financing Arrangements Including Lease Purchase Agreements**

**Entries for Fiscal Years 2016 and Beyond:**

If an “Annual Depreciation-Lease Equivalent Payment Line” appropriation is given, then the following entries would be needed.

This is to transfer the 1% of the project costs for the year into the Capital Reserve Account:

<table>
<thead>
<tr>
<th>Object Code</th>
<th>Posting Code</th>
<th>Fund 1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Capital Outlay Transfer-Out</td>
<td>70CC</td>
<td>D025</td>
</tr>
<tr>
<td>C.R.S. 24-30-1310 (Budgeted)</td>
<td></td>
<td>$xx</td>
</tr>
<tr>
<td>Cr Cash</td>
<td>1100</td>
<td>A001</td>
</tr>
<tr>
<td>Capital Outlay Transfer-In</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.R.S. 24-30-1310 (Budgeted)</td>
<td>90CC</td>
<td>R024</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$xx</td>
</tr>
</tbody>
</table>

If there is no “Annual Depreciation-Lease Equivalent Payment Line” appropriation given, then the above entries would not be needed.
CHAPTER 4: SECTION 2
CAPITAL ASSETS

All governmental funds, except permanent funds, are required to account for and depreciate capital assets in Fund 4710 in CORE if those assets meet the capitalization threshold. All proprietary funds, including institutions of higher education, are required to account for and depreciate their capital assets in their respective funds.

2.1 Definition of Capital Assets

Capital assets are long-lived assets (greater than one year), owned by the State, that are held primarily for use in a department’s operations and programs. Examples of such assets include land, improvements to land, buildings, leasehold improvements, equipment (including furniture, fixtures, machinery, equipment, vehicles, and computer software), library books, works of art, historical treasures, and infrastructure. These assets result from either expenditures made by the department or donations made to the department from an external source. Capital assets have a useful life greater than one year and must be capitalized if they meet cost thresholds established in this section. Capital assets include both nondepreciable and depreciable assets.

The State will report nondepreciable capital assets in the following broad classes:

- Land
- Land Improvements (such as grading)
- Construction in Progress
- Collections (works of art and historical treasures whose useful lives are not diminished by display, educational, or research applications)
- Infrastructure (Department of Transportation only)

State departments are encouraged, but not required, to capitalize works of art and historical treasures that are:

- Held for public exhibition, education or research,
- Protected, cared for or preserved, and
- Subject to an organizational policy that requires the proceeds from sales to be used to acquire other items.

The State will report depreciable or amortizable capital assets in the following broad classes:

- Leasehold and Land Improvements
- Buildings
- Software
- Vehicles and Equipment
- Library Materials and Collections
- Other Capital Assets
- Infrastructure (Department of Natural Resources and Department of Transportation only)
2.2 Capital Asset Reporting Systems

All State departments and institutions of higher education are required to maintain a detailed record of all capital assets. Policy and Procedure dictates that all departments are required to use the Fixed Asset Module within CORE to maintain their detailed record. The exception to this requirement is the Department of Transportation and institutes of higher education. For the Department of Transportation and institutes of higher education, at a minimum the records should include the cost, acquisition date, in-service date, estimated useful life, calculated depreciation and accumulated depreciation for each capital asset and must be recorded in CORE at a summary level.

2.3 Valuing Capital Assets

Capital assets built or acquired by the State are recorded at historical cost, including ancillary costs necessary to place the assets in their intended location and condition for use. Ancillary costs include freight charges, site preparation, appraisal fees, and legal claims directly attributable to the asset’s acquisition. In proprietary funds, agencies should capitalize interest costs accruing during the time when activities necessary to prepare the asset for its intended use are in progress. Generally this is the construction period, but it may also include the plan development period. A salvage value does not need to be estimated when recording and depreciating capital assets. However, if a state department has historically estimated salvage value on capital assets or believes not estimating a salvage value would have a material impact on the annual depreciation calculation, it is permissible to include salvage value when recording and depreciating capital assets.

Under GASB Statement No. 72 donated capital assets are recorded at their acquisition value. These assets will continue to be measured in the same manner, but that manner will now be described as acquisition value.

2.4 Capitalization Criteria

The dollar amount of the purchase and the estimated useful life of the asset are the primary criteria the State uses to determine what assets are capital assets. Purchases of assets that meet the dollar thresholds in Section 2.4.1 below and have an estimated useful life of more than one year will be capitalized.

2.4.1 Dollar Thresholds

For the purchase or construction of new assets, the following dollar thresholds should be used by departments to determine if the asset should be capitalized. A state department may be required to select a lower minimum dollar threshold to capitalize the purchase of an asset, but a department may not choose a higher dollar threshold or a lower dollar threshold without supporting documentation.

<table>
<thead>
<tr>
<th>Type of Asset</th>
<th>Capitalization Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>All purchases are capitalized, regardless of cost</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>$50,000</td>
</tr>
<tr>
<td>Building</td>
<td>$50,000</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>$50,000</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>$50,000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$500,000</td>
</tr>
</tbody>
</table>
Furniture and Equipment $5,000 per item
Software (purchased) $5,000
Software (internally developed) $50,000
Library Materials and Collections All purchases are capitalized, regardless of cost
Works of Art/Historical Treasures $5,000 per item/collection
Memo Asset Less than $5,000 (non-depreciating)

For expenditures related to repair, remodeling, or expansion of an existing capital asset, the department must determine if the expenditure increased the capacity, operating efficiency or extended the useful life of the asset. If so, such expenditures are capitalized as part of the cost of the asset. Departments should use the thresholds identified above to capitalize repair, remodeling, or expansion expenditures. Expenditures that only serve to restore a capital asset to a working condition or do not enhance or extend the useful life should be recorded as repair and maintenance expense and should not be capitalized. A state department must maintain appropriate documentation to support what constitutes an enhancement or useful life extension. Software purchases should be assessed for capitalization at the system purchase level; the assessment should not be done based on individual disbursements or on a per unit basis, such as, cost per license. Please see Section 2.11 (GASB Statement No. 51) below for additional information.

2.5 Estimated Useful Lives

The estimated useful life of a capital asset is a function of each department’s own experience. The OSC considers engineering studies and actual experience documented in the records of similar assets as adequate support for determining the estimated useful life of an asset or group of assets. Some agencies may be required to follow the useful lives identified by third party regulators such as those specified by the American Hospital Association Depreciation Guide.

The following useful lives guidelines may be used by state agencies when calculating depreciation expense. Other useful life calculations may be used, only when appropriate supporting documentation exists, supporting the alternate useful lives.

<table>
<thead>
<tr>
<th>Capital Assets</th>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings:</td>
<td></td>
</tr>
<tr>
<td>Type 1 - Fireproof construction</td>
<td>40 years</td>
</tr>
<tr>
<td>Type 2 - Noncombustible construction (as classified by the Department of Public Safety in accordance with 780 CMR 402.0 and 403.0)</td>
<td>28 years</td>
</tr>
<tr>
<td>Type 3 - External masonry wall construction</td>
<td>28 years</td>
</tr>
<tr>
<td>Type 4 - Frame construction (as classified by the Department of Public Safety in accordance with 780 CMR 404.0 and 405.0)</td>
<td>28 years</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>20 years</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>The greater of 5 years or the term of the lease</td>
</tr>
</tbody>
</table>
### Equipment (non-office)
- **10 years**

### Computer Equipment
- **3 years**

### Software
- **5 years**

### Other Office Equipment: Items such as copiers, ovens, washers, dryers, office files
- **6 years**

### Life Safety Improvements: Building or leasehold improvements or equipment acquisitions made solely to satisfy the requirements of any department regarding life safety or physical environment. Purpose must be documented.
- **5 years**

### New Motor Vehicles
- **5 years**

### Used Motor Vehicles
- **3 years**

### Residential Furnishings
- **3 years**

### Office Furnishings
- **10 years**

### Land Improvements Subject to Depreciation
- **20 years**

### Industrial Steam and Electric Generation and Distribution Systems
- **22 years**

### Aircraft
- **6 years**

### Watercraft
- **20 years**

### Buses
- **9 years**

### Roads, Tunnels, and Bridges
- **50 years**

### Boating Facilities - buildings, piers, ramps
- **25 years**

It is allowable to componentized capital assets such that various components of the asset are depreciated over different useful lives. An example is a building. As the building ages, the shell or foundation may be depreciated over a longer useful life than the HVAC (Heating, Ventilation, Air-Conditioning) system.

#### 2.6 Recording of Capital Assets

Capital assets purchased by proprietary funds, including institutions of higher education, are recorded and depreciated in the fund in which they operate. Capital assets purchased by all governmental funds other than permanent funds, are recorded in Fund 4710. The Responsibility Center is the fund in which all of the accounting occurs for the capital asset.

Normally nondepreciable land is the only capital asset of permanent funds, thus it is recorded in the permanent funds and there is no depreciation. In the rare instance that a depreciable capital asset is held by a permanent fund then the asset would be capitalized in the permanent fund, but depreciated in Fund 4710. Contact the OSC if further clarification is needed.

The recording and reporting of capital assets for financial reporting purposes is different than management’s responsibility to safeguard capital assets. A department may want to maintain inventory control over purchases of capital assets that do not meet the capitalization thresholds discussed in this chapter. In that situation, the department records a “memo asset” in the Fixed
Asset Module within CORE. Memo assets allow agencies to track goods and equipment that does not meet the capitalized thresholds; however, memo assets do not record depreciation. They may be disposed of and transferred like standard assets within CORE. When a department makes this choice, it is essential that the object code of expenditure recorded is not in the capital purchases series (61xx, 62xx, 63xx, 64xx, 65xx, 66xx, 23xx). The CORE chart of accounts includes numerous balance sheet codes in the 18xx series to record the various types of capital assets within the above broad classes. It is the policy of the State of Colorado that only the Departments of Transportation and Natural Resources will record and report infrastructure capital assets.

For detailed Capital Asset policies and procedures and to assist with the acquisition of a Capital Asset, please refer to the CORE website for detailed job aids, step-action tables, and policies & procedures.

2.7 Recording Depreciation or Amortization Expense

All exhaustible capital assets are depreciated using the straight-line method, estimated salvage value (department option), and the estimated useful lives as determined by the department or obtained from the table in Section 2.5 above. The following discussion applies equally to assets that are amortized such as software and other intangibles as it does to depreciable capital assets.

Depreciation is calculated automatically in CORE on a daily basis based on the “in-service” date of the asset, and recorded monthly. Depreciation expense is recorded in the responsibility fund, Fund 4710 for capital assets of the governmental fund and in each fund for proprietary funds.

The central automated running of depreciation in CORE is called Automated Mass Depreciation. Although run centrally, the OSC does not have any detail of the departments capital assets. All matters related to the capital asset including depreciation are the responsibility of the departments. Automated Mass Depreciation is a tool that allows depreciation to be calculated on an individual asset basis, based on the parameters set forth in the fixed asset acquisition document (FA). Automated Mass Depreciation runs according to the formula stated in the CORE Fixed Asset User Guide that is available on the CORE website. If a department has identified depreciation adjustments that need to be made they must be done at an asset level using the FE document to manually post depreciation, not on a JV type document. Recording depreciation entries on a JV document will not post correctly to the Fixed Asset module and will not have an effect on the Mass Depreciation calculation. The departments that are not using the Fixed Asset Module in CORE will calculate depreciation manually and record depreciation and its subsequent depreciation expense at a summary level in CORE using a JV type document.

For detailed information regarding the depreciation of a capital asset, policies and procedures regarding depreciation, and to assist with the depreciation of capital asset please refer to the CORE website to get detailed job aids, step-action tables, and policies & procedures. To access the FA Exception report, users can check their exceptions in CORE by jumping to “BATJOBS” and then search Catalog ID “5”. Select the appropriate “View Report” link. Departments should periodically review this report.

2.8 Disposing of Capital Assets in Governmental Funds

Under full accrual accounting required for state government-wide financial statements, state agencies must recognize a gain or loss on the sale or disposal of capital assets. An accounting gain or loss on the disposal of a capital asset occurs when the net book value of the asset, that is, original cost minus accumulated depreciation, does not equal the cash or other consideration received when the asset is disposed.

For detailed disposition of capital asset policies and procedures and to assist with the disposition of a capital asset, please refer to the CORE website for detailed job aids, step-action tables, and
2.9 Transfer of Capital Assets

If a capital asset is transferred between two governmental fund departments and there is no exchange of cash, then the asset and related accumulated depreciation should be removed from the sending department’s books and the identical amounts should be added to the receiving department’s books with any needed debit or credit to code 650X – Gain/Loss on Disposal of Property or transfer codes, if transferring between fund types.

Transfer Assets in CORE between Funds

The FAIT (Fixed Asset Inter Fund Transfers) document in CORE allows departments to transfer capital assets from one fund to another fund (and between cabinets) in the responsibility center while maintaining the FA # and automated depreciation when there is no exchange of cash. Departments that want to update any other custodian chart of account elements other than fund should use the FA document (Fixed Asset Transfer) and not the FAIT document.

The custodian report in infoAdvantage (FA-004) will also show the history, transfer, and “catch up” depreciation at the date of the transfer. The asset and related accumulated depreciation should be removed from the sending department’s books and the identical amounts should be added to the receiving department’s books.

When transferring a fixed asset from one fund to another, it is important to consider the amount of depreciation recorded for the asset.

♦ If the asset is completely depreciated at the time of transfer, the department only needs to enter a FAIT document updating the new responsibility center.

♦ If the asset is not completely depreciated at the time of transfer, an FAIT document and a two-line JV1ADVN document must both be created.

The JV1ADVN entry is required to clear the balances recorded by the FAIT document in balance sheet account 3900 (posting lines 2 and 7 on the FAIT document) against 650X – Gain/Loss on Disposal of Property. These balances can be found on the trial balance reports in infoAdvantage such as the GA-022.
The following day, the FAIT document detail can be reviewed in infoAdvantage using the FA-009 – Fixed Asset Transfers report. Please refer to the CORE website for detailed job aids and step-action tables before processing a FAIT document.

Transfer Assets in CORE within the Same Fund

The FAIT document can only be used when the asset is being transferred from one fund to another fund. If the transfer is within the same fund, departments will use the FT (Fixed Asset Transfer) document. The FT document allows departments to update fields other than the fund in the asset responsibility center.

The following day, the FT document detail can be reviewed in infoAdvantage using the FA-009 – Fixed Asset Transfers report. Please refer to the CORE website for detailed job aids and step-action tables before processing a FAIT document.

2.10 Capital Asset Impairment and Insurance Recoveries – GASB Statement No. 42

GASB Statement No. 42 requires state agencies to measure and record an impairment loss if an event indicates impairment and passes the impairment tests in the standard. Departments are not required to search for impairment because the standard states that asset impairments are prominent, conspicuous, and expected to have prompted discussion by the governing board, management, or media.

For an event to pass the impairment test, the decline in service utility must be both unexpected and significant. Departments should consult GASB Statement No. 42 for guidance on measuring impairment losses. If an asset impairment meets the definition of an extraordinary event (both unusual and infrequent), it should be reported on the Exhibit U1, Section B, and the OSC will reclassify the amount so that it is presented on the financial statements as an extraordinary item. If the impairment does not meet the definition of extraordinary, the OSC will disclose the amount based on the balances in revenue source codes 6504 – Gain/Loss on Impairment. The OSC will disclose the description of the impairment based on the department provided information on Exhibit U2, Section C. The OSC is also required to disclose in the notes to the financial statements the carrying amount of any idle impaired capital assets, which is also reported on Exhibit U2, Section C.

The standard requires that insurance recoveries in governmental funds be recorded as other financing sources separate from the restoration or replacement expenditure. All governmental insurance recoveries should be recorded in the Special Capital Construction Fund (Fund 4620). This requirement to separate the recoveries precludes netting the insurance proceeds against the
restoration or replacement expenditure in the governmental fund. Insurance recoveries may or may not be related to an asset impairment. If the event does not qualify as an asset impairment under GASB Statement No. 42, then the expenditure to restore the asset will be a noncapitalizable object code such as 2220-Bldg Maintenance/Repair SVCS. If an insurance recovery is realizable in the same year, it should be recorded in the governmental fund (debit cash or receivable, credit RSRC5860), and no entry is required in Fund 4710. The insurance recovery offsets the maintenance expense in the government-wide financial statements, so no effect is reported at that level for costs covered by insurance. If the event qualifies as an asset impairment under GASB Statement No. 42, then the expenditure to restore the capital asset will be recorded in capitalizable object codes such as 6110-Buildings Direct Purchase and related capitalization entries are required in Fund 4710. See Section 2.11 below for information on converting governmental fund modified accrual insurance recovery entries to full accrual in Fund 4710.

In proprietary funds and on the government-wide statements, the restoration or replacement transaction (debit asset, credit cash – or credit capitalizable expenditure if the entry is in Fund 4710) is also required to be separate from the impairment loss (debit impairment loss, credit asset). However, the standard requires that the insurance recovery (debit cash, credit insurance recoveries) be offset against the impairment loss if the recovery is realizable in the same year as the impairment loss. On the financial statements the impairment loss and the insurance recovery are reported in the same line item, so the offsetting occurs at the financial statement level. If the recovery becomes realizable in subsequent years, it must be reported as revenue rather than as an offset to the impairment loss (debit cash and credit insurance recoveries). Insurance recoveries realizable in the same year as the impairment should be recorded in the existing revenue source code 5860, and insurance recoveries that become realizable in years after the year of the impairment should be recorded in revenue source code 5861. Insurance recoveries are considered realizable when an insurance company acknowledges responsibility for the claim or has paid the claim. Gain or loss on asset impairments should be recorded in revenue source code 6504. A gain on impairment will be reported on the financial statements when insurance proceeds realized in the same year exceed the impairment loss recorded. Insurance proceeds realized in a year subsequent to the year that the asset impairment was recognized will be reported in a separate financial statement line item and not offset impairment losses of that year.

Overpayments received from insurance companies should be allowed to revert to the General Purpose Revenue Fund (Fund 1000) per Section 24-30-202 (21), C.R.S. However this statute only applies to outside insurance companies, not the State Risk Management Office. If your department receives an overpayment from Risk Management, the excess must be returned to Fund 11P0 to make the Risk Management Fund whole.

2.11 Insurance Recoveries

GASB Statement No. 42 sets the accounting and reporting standard for insurance recoveries as well as asset impairment. Insurance recoveries are deemed realizable when payment is received or when the insurance provider acknowledges coverage of the event. Some insurance recoveries are related to asset impairment and some are not as discussed in Section 2.10 above.

When an event does not meet the GASB Statement No. 42 requirements for asset impairment, the insurance recovery is recorded as an Other Financing Source in the governmental fund and the restoration or replacement cost is recorded as a maintenance expenditure. In this instance the carrying value of the capital asset is not adjusted, and therefore, no entries are required in Fund 4710. The insurance recovery offsets the maintenance expense in the government-wide financial statements, so no effect is reported at that level for costs covered by insurance. Expenditures that increase the efficiency or capacity of the asset or increase its useful life should be capitalized.

When an event meets the GASB Statement No. 42 requirements for asset impairment, the insurance recovery is recorded as an Other Financing Source in the governmental fund and the
restoration or replacement cost is recorded as a capitalizable property purchase. This requires an adjustment in Fund 4710 to convert the transactions to the full accrual basis of accounting, and to reflect the impairment. The insurance recovery is offset against the impairment loss on the government-wide Statement of Activities. The following example assumes that the insurance recovery is realizable in the same year as the impairment. Note that the transaction results in a $400 gain on impairment because the insurance recovery exceeded the impairment loss originally calculated. (In order to simplify the example, the effect of Accumulated Depreciation is not shown.)

<table>
<thead>
<tr>
<th>Fund 1000</th>
<th>Fund 4710</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalizable Property Purchase Expenditure</td>
<td>1,000</td>
</tr>
<tr>
<td>Cash</td>
<td>1,000</td>
</tr>
<tr>
<td>Cash</td>
<td>900</td>
</tr>
<tr>
<td>Insurance Recovery (Other Financing Source)</td>
<td>900</td>
</tr>
<tr>
<td>Capital Asset</td>
<td>1,000</td>
</tr>
<tr>
<td>Capitalizable Property Purchase Expenditure</td>
<td>1,000</td>
</tr>
<tr>
<td>Capital Asset Impairment Loss</td>
<td>500</td>
</tr>
<tr>
<td>Capital Asset</td>
<td>500</td>
</tr>
</tbody>
</table>

If the insurance recovery is not realizable in the same year the restoration or replacement occurs, then the following accounting transactions should be recorded. Note that the accounting entries shown in the following table result in an impairment loss in Year 1 due to the write down of the asset and an impairment gain in Year 2 due to the insurance recovery.

<table>
<thead>
<tr>
<th>Fund 1000</th>
<th>Fund 4710</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR 1</td>
<td></td>
</tr>
<tr>
<td>Capitalizable Property Purchase Expenditure</td>
<td>1,000</td>
</tr>
<tr>
<td>Cash</td>
<td>1,000</td>
</tr>
<tr>
<td>Capital Asset</td>
<td>1,000</td>
</tr>
<tr>
<td>Capitalizable Property Purchase Expenditure</td>
<td>1,000</td>
</tr>
</tbody>
</table>
The entries for proprietary fund accounting are similar to those above, except that they are all made in the proprietary fund. The purchase is made with a budgeted expenditure code, and a JV1STND is processed to reduce the expenditure as unbudgeted and debit the capital asset. The OSC will report the Capital Asset Impairment Loss and the current year Insurance Recovery in the same line item on the proprietary fund and government-wide statements to comply with the GAAP requirement to net the insurance recovery against the impairment loss. Insurance recoveries in the subsequent year will be presented in a separate line or in program income.

Overpayments received from insurance companies should be allowed to revert to the General Purpose Revenue Fund (Fund 1000) per Section 24-30-202 (21), C.R.S. However this statute only applies to outside insurance companies, not the State Risk Management Office. If your department receives an overpayment from Risk Management, the excess must be returned to Fund 11P0 to make the Risk Management Fund whole.

2.12 Intangible Assets Including Computer Software Developed or Obtained for Internal Use

GASB Statement No. 51 addresses the accounting and reporting of intangible assets. An asset is considered identifiable if it is capable of being separated and sold, transferred, licensed, etc., or the asset arises from contractual or other legal rights, regardless of whether the rights are separable. Intangible assets are not reported as a separate asset category, but rather as part of the asset balance within an existing asset category. For example, easements costing $50,000 or more are capitalized into 1800-Land. Internal use software is a significant and common type of intangible asset including systems developed or purchases such as Colorado Benefits Management System (CBMS) and the Colorado Operational Resource Engine (CORE).

Internal use software and categorizes the development into phases. The general treatment of costs for each phase is summarized below:

<table>
<thead>
<tr>
<th>Phases</th>
<th>General Treatment of Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary Project Stage</td>
<td>Expensed</td>
</tr>
<tr>
<td>Application Development Stage</td>
<td>Capitalized</td>
</tr>
<tr>
<td>Post Implementation/Operation Stage</td>
<td>Expensed</td>
</tr>
</tbody>
</table>

**Definitions (applicable in this section only):**

**Internal Use Computer Software** – Internal use computer software has both of the following characteristics; the software is acquired, internally developed, or modified solely to meet the
entity’s internal needs, and during the software’s development or modification, no substantive plan exists or is being developed to market the software externally.

- **Preliminary Project Stage** – Includes determination of system requirements, development of alternatives, vendor demonstrations of their software, evaluation of alternatives, and final selection of alternatives.

- **Application Development Stage** – Includes software configuration and interface, coding, installation of hardware, testing, and data conversion.

- **Post-Implementation/Operation Stage** – Includes training and maintenance costs.

- **Upgrades and enhancements** – Includes modifications to existing internal use software that result in additional functionality – modifications to enable the software to perform tasks that it was previously incapable of performing.

- **Internal Costs** – Costs paid to employees or other organizations within the entity, for example, payroll costs and programming costs of internal programmers.

- **External Costs** – Costs paid to outside vendors, for example, software licenses.

- **Estimated Useful Life** – The period over which the internal use computer software will be amortized. In assessing estimated useful life, entities should consider the effects of obsolescence, technology, competition, and other economic factors. Given the history of rapid changes in technology, software often has had a relatively short useful life.

### Costs to be Expensed:

The following costs should be expensed as they are incurred:

- Internal and external costs incurred during the preliminary project stage
- Training during all project stages
- Data conversion costs are normally considered part of the post implementation/operations stage and should be expensed unless they are determined to be necessary to make the computer software operational
- Internal costs incurred for maintenance
- General and administrative costs and overhead costs
- Maintenance costs in post implementation/operation stage

### Costs to be Capitalized:

The following costs should be capitalized and amortized over the useful life:

- Internal and external costs incurred to develop internal use computer software during the application development stage.
- External direct costs of materials and services consumed in developing or obtaining internal use software. Examples include fees paid to third parties for services provided to develop the software during the application development stage, costs incurred to obtain computer software from third parties, and travel expenses incurred by employees in their duties directly associated with developing software.
- Payroll and payroll-related costs such as benefits for employees who are directly associated with and who devote time to the internal use computer software project, to the extent of the time spent directly on the project. Examples include coding and testing during the application development stage. See Section 1.6 of this chapter for additional information.
regarding the capitalization of personal services costs.

- Interest costs incurred while developing internal use computer software (proprietary fund accounting only – governmental type activities should not capitalize related interest costs).

**Multiple Element Software Arrangements Included in Purchase Price**

Where the price of internal use computer software from a third party includes multiple elements, the entity should allocate the costs among all individual elements. Examples of these elements are training, maintenance fees, and data conversion. The allocation should be based on objective evidence of fair value of the elements in the contract, not necessarily separate prices stated within the contract for each element. The separate elements should be accounted for in accordance with the provisions of this guidance and GASB Statement No. 51.

**Timing of Capitalization**

Capitalization of costs should begin when both of the following occur: preliminary project stage is completed; and management authorizes and commits to funding a computer software project, and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization should cease no later than the point at which a computer software project is substantially complete and ready for its intended use – after all substantial testing is completed.

**Amortization**

For each module or component of a software project, amortization should begin when the computer software is ready for its intended use – after all substantial testing is completed. The capitalized costs of internal use computer software should be amortized on a straight-line basis.

**Upgrades and Enhancements**

Costs for upgrades and enhancements that are material in relation to total project costs, should be capitalized or expensed using the same guidelines used for internal use software described in this guidance and GASB Statement No. 51. Costs for upgrades and enhancements that are not material should be expensed as incurred.

**Impairment**

Impairment should be recognized and measured in accordance with the provision of paragraph 9 of GASB Statement No. 42. In addition, stoppage of development of computer software constitutes an asset impairment.
CHAPTER 4: SECTION 3
ACCOUNTING FOR CAPITAL RELATED DEBT AND NONCAPITAL DEBT

3.1 Capital Leases

Governmental accounting standards (GASB) require special treatment of governmental fund capital leases as outlined in GASB Statement No. 62. The objective of the requirements is to show on the fund-level operating statement the source and use of funds related to the financing arrangement that resulted in the entity recording a capital asset and related lease liability on the government-wide financial statements.

In the inception year of the lease, departments should debit the appropriate object codes in the 63xx or 64xx series (Capital Property Lease Purchase) for the total value of the lease-purchased asset using unbudgeted posting codes. The departments should credit revenue source code 7200 (Future Capital Lease Payments) for an amount equal to the amount recorded in unbudgeted posting codes. The capital asset and related lease liability should be recorded in the General Full Accrual Account Group (GFAAG – Fund 4710) in the same amount as was recorded in the unbudgeted expense account. This entry is part of the conversion to full accrual described below. If current or subsequent year lease payments are budgeted, record them as budgeted expenditures in account 6810 (capital lease principal) and 6820 (capital lease interest).

Lease payments are normally recognized as expenditures in the year in which they are due. However, if debt service resources have been provided (that is, budgeted from general-purpose revenues or recognized augmenting revenue) during the current year for payment of principal and interest due early in the following year, the expenditure and related liability may be recognized in the fund and the principal amount removed from the General Full Accrual Account Group (GFAAG – Fund 4710).

The accounting for leases recorded in governmental funds must be converted to the full accrual basis of accounting. Journal entries to convert to full accrual are done in the General Full Accrual Account Group (GFAAG – Fund 4710). The OSC prefers (but does not require) that the conversion entries be made at the same time the lease accounting entries are made in the governmental fund. The capitalizable property purchase expenditure and other financing source recorded in the governmental fund at inception of the lease must be eliminated. In addition, the governmental fund expenditure related to lease principal payments must be converted to a reduction of lease liability.

The accounting for capital leases in proprietary funds is similar, except that entries are recorded in the fund itself.

The JV1CL document is used to record these transactions. For detailed event types and entries, please see the CORE TA PO_04 Capital Lease policy on the CORE website. For more information about the classification of leases please see OSC's Lease Classification Policy on its website.

3.2 Inception of a Capital Lease

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Fund 1000</th>
<th>Fund 4710</th>
</tr>
</thead>
<tbody>
<tr>
<td>XT09 Capital Lease Purchase Expenditure</td>
<td>5,000</td>
<td></td>
</tr>
</tbody>
</table>
Several equivalent event types specific to proprietary funds are available whereby all entries are made directly in the fund.

The above scenario represents direct method; however additional event types are available for financed capital leases. For financed capital leases, in order to determine the amount of net investment in capital assets, unspent capital lease proceeds must be reclassified. If capital lease proceeds are unspent at year-end (a material amount still remains in cash) then that amount of Capital Leases Payable must be reclassified to Unspent Capital Lease Proceeds (Event Type XG84).

### 3.3 Capital Lease Payment

Under modified accrual, the total lease payment is an expenditure of the current period while under full accrual only the interest cost is an expense of the current period. In Fund 4710, the Capital Lease Principal Expenditure is converted to a reduction of the lease payable.

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Fund 1000</th>
<th>Fund 4710</th>
</tr>
</thead>
<tbody>
<tr>
<td>XT75</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>XT77</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>XT75/XT77</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>XT79</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>XT79</td>
<td>1,000</td>
<td></td>
</tr>
</tbody>
</table>

Several equivalent event types specific to proprietary funds are available whereby all entries are made directly in the fund.
3.4 Energy Performance Contracts – Issuance and Payments

Energy performance contracts are a combination of a financing arrangement and capital lease. These involve three parties – the State, the vendor, and the financing company. Typically, the State enters into an agreement with the financing company and funds are placed in escrow. The State authorizes the financing company to pay the vendor from the escrow account as work progresses. Upon completion, the State begins making the payments under the financing agreement. The utility savings generated by the upgrades are intended to cover the cost of the lease payments.

<table>
<thead>
<tr>
<th>Description</th>
<th>Fund 1000</th>
<th>Fund 4710</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash with Trustee</td>
<td>5,995,000</td>
<td></td>
</tr>
<tr>
<td>Issuance Costs (if applicable)</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Future Capital Lease Payments</td>
<td></td>
<td>6,000,000</td>
</tr>
<tr>
<td>Record cash related to financing agreement (if held in escrow)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Future Capital Lease Payments</td>
<td></td>
<td>6,000,000</td>
</tr>
<tr>
<td>Capital Lease Payable</td>
<td></td>
<td>6,000,000</td>
</tr>
<tr>
<td>To record lease liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction In Progress/Equipment</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Cash with Trustee</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Capital Lease Expenditure</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>To record asset (may be as drawdowns occur or at completion based on when legal ownership passes to the department/institution)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Lease Principal Expenditure</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Capital Lease Interest Expenditure</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>1,500</td>
</tr>
<tr>
<td>Leases Payable</td>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td>Capital Lease Principal Expenditure</td>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td>To record lease payment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In order to determine the amount of net investment in capital assets, unspent capital lease proceeds must be reclassified. If capital lease proceeds are unspent at year-end (a material amount still remains in cash) then that amount of Capital Leases Payable must be reclassified to Unspent Capital Lease Proceeds.
Entries for proprietary funds are similar, except all entries are recorded in the proprietary fund itself.

3.5 Bond Issuance and Payments
Bond issuance costs and payments are handled similarly to capital leases described starting in Section 3.1 above. The premium/discount, and gain/loss on refunding are amortized over the life of the bond and at each year-end unspent proceeds must be reclassified to the Unspent Bond Proceeds account. Certificates of Participation (COPs) are handled similarly, except recorded in COP specific accounts. The JVBOND document should be used for JV type transactions (Year-End entries, for example) for governmental and enterprise funds as follows:
### FISCAL PROCEDURES MANUAL  March 2018

**Chapter 4: Section 3**

#### Event Type Description | Fund | Debit | Credit
---|---|---|---
**GOVERNMENTAL FUNDS BOND ISSUANCE**

**Record Bond Issuance**

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Description</th>
<th>Fund</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>XT01</td>
<td>Record Proceeds</td>
<td>1000</td>
<td>Cash/Investment with Trustee²</td>
<td>Bond Proceeds</td>
</tr>
<tr>
<td>XT14</td>
<td>Record Premium¹</td>
<td>1000</td>
<td>Cash/Investment with Trustee²</td>
<td>Bond Premium Revenue</td>
</tr>
<tr>
<td>XT15</td>
<td>Record Issuance Costs</td>
<td>1000</td>
<td>Cost of Issuance</td>
<td>Cash/Investment with Trustee²</td>
</tr>
<tr>
<td>XT16</td>
<td>Record Liability for Proceeds</td>
<td>4710</td>
<td>Bond Proceeds</td>
<td>Bonds Liability</td>
</tr>
<tr>
<td>XT17</td>
<td>Record Liability for Premium¹</td>
<td>4710</td>
<td>Bond Premium Revenue</td>
<td>Bond Premium Liability</td>
</tr>
</tbody>
</table>

**Record Bond Payment**

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Description</th>
<th>Fund</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>XT03</td>
<td>Principal Payment³</td>
<td>1000</td>
<td>Bond Principal Expenditure</td>
<td>Cash</td>
</tr>
<tr>
<td>XT20</td>
<td>Interest Payment³</td>
<td>1000</td>
<td>Interest Expense</td>
<td>Cash</td>
</tr>
<tr>
<td>XT26</td>
<td>Reduce Liability for Principal Payment</td>
<td>4710</td>
<td>Bonds Payable</td>
<td>Bond Principal Expenditure/Expense</td>
</tr>
</tbody>
</table>

**Year-End Entries**

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Description</th>
<th>Fund</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>XT28</td>
<td>Accrue Interest at year-end</td>
<td>4710</td>
<td>Interest Expense</td>
<td>Accrued Interest Payable</td>
</tr>
<tr>
<td>XT24</td>
<td>Amortize Premium¹</td>
<td>4710</td>
<td>Unamortized Premium</td>
<td>Interest Expense</td>
</tr>
<tr>
<td>XT25</td>
<td>Reclassify of Unspent Proceeds (for calculation of Net Investments in Capital Assets)</td>
<td>4710</td>
<td>Bonds Payable</td>
<td>Unspent Bond Proceeds</td>
</tr>
<tr>
<td>XT27</td>
<td>Reclassify between Current and Long-Term</td>
<td>4710</td>
<td>Bonds Payable-Long Term</td>
<td>Bonds Payable-Current</td>
</tr>
</tbody>
</table>

#### Enterprise Funds Bond Issuance

**Record Bond Issuance**

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Description</th>
<th>Fund</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>XT02</td>
<td>Record Proceeds</td>
<td>4100</td>
<td>Cash/Investment with Trustee²</td>
<td>Bonds Payable</td>
</tr>
<tr>
<td>XT18</td>
<td>Record Premium¹</td>
<td>4100</td>
<td>Cash/Investment with Trustee²</td>
<td>Bond Premium Payable</td>
</tr>
<tr>
<td>XT19</td>
<td>Record Issuance Costs</td>
<td>4100</td>
<td>Cost of Issuance</td>
<td>Cash/Investment with Trustee²</td>
</tr>
</tbody>
</table>

**Record Bond Payment**

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Description</th>
<th>Fund</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>XT04</td>
<td>Budgeted Principal Payment³</td>
<td>4100</td>
<td>Cash Bond Principal Expenditure/Expense</td>
<td>Cash</td>
</tr>
<tr>
<td>XT30</td>
<td>Budgeted Interest Payment³</td>
<td>4100</td>
<td>Interest Expense</td>
<td>Cash</td>
</tr>
<tr>
<td>XT32</td>
<td>Liquidation of Interest Accrual (assuming outstanding interest payable accrual from prior year)</td>
<td>4100</td>
<td>Accrued Interest Payable</td>
<td>Cash</td>
</tr>
<tr>
<td>XT31</td>
<td>Service Bond Debt Establish Payable</td>
<td>4100</td>
<td>Bonds Payable</td>
<td>Unbudgeted Expense</td>
</tr>
</tbody>
</table>

**Year-End Entries**

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Description</th>
<th>Fund</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>XT33</td>
<td>Amortize Premium¹</td>
<td>4100</td>
<td>Unamortized Premium</td>
<td>Interest Expense</td>
</tr>
<tr>
<td>XT34</td>
<td>Reclassify of Unspent Proceeds (for calculation of Net Investments in Capital Assets)</td>
<td>4100</td>
<td>Bonds Payable</td>
<td>Unspent Bond Proceeds</td>
</tr>
<tr>
<td>TBD</td>
<td>Accrue Interest at year-end</td>
<td>4100</td>
<td>Interest Expense</td>
<td>Accrued Interest Payable</td>
</tr>
<tr>
<td>TBD</td>
<td>Reclassify between Current and Long-Term</td>
<td>4100</td>
<td>Bonds Payable-Long Term</td>
<td>Bonds Payable-Current</td>
</tr>
</tbody>
</table>

¹Applicable to Discounts, reverse debits and credits

²If Investment with Trustee, an alternate event will need to be used.

³In most cases, payments will be made using a standard payment document and standard expenditure event type.
3.6 Bond Refundings

Bond refundings are similar to bond issuances and payments. The refunded issuance is removed from the books, and the new issuance recorded both with the corresponding full accrual Fund 4710 for governmental funds, and the fund itself for proprietary funds.

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Description</th>
<th>Fund</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOVERNMENTAL FUNDS REFUNDING BONDS</td>
<td>Payment from New Proceeds to Escrow Agent</td>
<td>XT39</td>
<td>Payment from New Proceeds to Escrow Agent</td>
<td>1000</td>
</tr>
<tr>
<td>Record Removal of Refunded Debt, Record New Debt as Noted Above</td>
<td>XT05</td>
<td>Remove LT Portion of Refunded Bonds</td>
<td>4710</td>
<td>Bonds Payable-Long Term</td>
</tr>
<tr>
<td></td>
<td>XT35</td>
<td>Remove Current Portion of Refunded Bonds</td>
<td>4710</td>
<td>Bonds Payable-Current</td>
</tr>
<tr>
<td></td>
<td>XT36</td>
<td>Remove Unamortized Premium</td>
<td>4710</td>
<td>Unamortized Premium</td>
</tr>
<tr>
<td></td>
<td>XT37</td>
<td>Record Deferred Outflow for Loss on Refunding</td>
<td>4710</td>
<td>Loss on Refunding (Deferred Outflow)</td>
</tr>
<tr>
<td>Year-End Entries (in addition to those noted above)</td>
<td>XT38</td>
<td>Amortization of Refunding Loss</td>
<td>4710</td>
<td>Amortization of Gain/Loss</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Description</th>
<th>Fund</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENTERPRISE FUNDS REFUNDING BONDS</td>
<td>Payment from New Proceeds to Escrow Agent</td>
<td>XT43</td>
<td>Payment from New Proceeds to Escrow Agent</td>
<td>(only necessary when budgeted)</td>
</tr>
<tr>
<td>Record Removal of Refunded Debt, Record New Debt as Noted Above</td>
<td>XT06</td>
<td>Remove LT Portion of Refunded Bonds</td>
<td>4100</td>
<td>Bonds Payable-Long Term</td>
</tr>
<tr>
<td></td>
<td>XT40</td>
<td>Remove Current Portion of Refunded Bonds</td>
<td>4100</td>
<td>Bonds Payable-Current</td>
</tr>
<tr>
<td></td>
<td>XT42</td>
<td>Remove Unamortized Premium</td>
<td>4100</td>
<td>Unamortized Premium</td>
</tr>
<tr>
<td></td>
<td>XT41</td>
<td>Record Deferred Outflow for Loss on Refunding</td>
<td>4100</td>
<td>Loss on Refunding (Deferred Outflow)</td>
</tr>
<tr>
<td>Year-End Entries (in addition to those noted above)</td>
<td>TBD</td>
<td>Amortization of Refunding Loss</td>
<td>4100</td>
<td>Amortization of Gain/Loss</td>
</tr>
</tbody>
</table>

3.7 Noncapital Debt

Noncapital debt is treated similarly to capital debt, except that noncapital liability codes are used. Additionally, an entry to record unspent proceeds at year-end is not necessary.
CHAPTER 5: SECTION 1
INFOADVANTAGE DIAGNOSTIC REPORTS

This section provides information on infoAdvantage diagnostic reports that can be run at any time. See Chapter 8, Section 3 for additional information regarding infoAdvantage reports.

1.1 Diagnostic Reports

The diagnostic reports are used as a monitoring tool by both the departments and the OSC for management purposes, in the quarterly reporting process (see Chapter 5, Section 4), and for assuring that departments have completed critical year-end closing processes. The reports can be found in the OSC Diagnostic Folder, unless otherwise noted.

Additional information on the diagnostic reports and how to use them can be found at: https://www.colorado.gov/pacific/osc/fiscalprocedures

<table>
<thead>
<tr>
<th>infoAdvantage Report ID</th>
<th>Report Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pending</td>
<td>Capitalizable Costs Compared to Capital Asset Additions</td>
<td>This report will identify mismatches between expenditures marked as capitalizable as compared to the expenditure offset in the capitalization fund. Mismatches indicate that errors may have occurred and must be reviewed and cleared.</td>
</tr>
<tr>
<td>Pending</td>
<td>Unchanged Balances</td>
<td>This report will identify balance sheet balances unchanged from the prior year to assist in the identification of errors or required adjustments.</td>
</tr>
<tr>
<td>Department Reports Folder</td>
<td>Exhibit J Financial Statement Report</td>
<td>This report identifies the State presentation of specific Departments/Funds required to issue stand-alone financial statements. Stand-alone financial statements must reconcile to this report.</td>
</tr>
<tr>
<td>OSC-001</td>
<td>Appropriations with $0 Budget</td>
<td>This report identifies appropriation units with expenses and $0 Budgets. Departments should record budget or reclassify expenses as necessary. Institutions of Higher Education should reclassify non-appropriated expenses posted by central service departments to non-budgeted posting codes.</td>
</tr>
<tr>
<td>OSC-002</td>
<td>Cash Out of Balance on JV1STND, JVC, and CHC Documents</td>
<td>This report identifies instances where Treasury pooled cash does not net to zero within a single document. These require correction as any net cash transaction must occur on a transaction that routes to the Treasury or the OSC on a JV1ADVN document. Report totals should net to $0 by department, or by doc department for JV documents crossing cabinets.</td>
</tr>
<tr>
<td>Report ID</td>
<td>Report Title</td>
<td>Description</td>
</tr>
<tr>
<td>-----------</td>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>OSC-003</td>
<td>Abnormal Balances</td>
<td>These reports identify abnormal balances and clearing accounts with balances. This report does not include Fund 4710 or 399x, nor does it include deficit cash balances in Fund 1000 or 4610. Items on this report need to be investigated and generally require correcting entries. The OSC-003-A and OSC-003-B reports are available for departments that prefer to run the balance sheet and operating accounts separately.</td>
</tr>
<tr>
<td>OSC-003-A</td>
<td>BSA – Abnormal Balances</td>
<td></td>
</tr>
<tr>
<td>OSC-003-B</td>
<td>Operating – Abnormal Balances</td>
<td></td>
</tr>
<tr>
<td>OSC-004</td>
<td>TABOR – Nonexempt Revenue Variance Report</td>
<td>This report assists in the evaluation of the accuracy and completeness of TABOR revenue.</td>
</tr>
<tr>
<td>OSC-006</td>
<td>Long Bill Operating</td>
<td>This report is updated annually to assist with the review and reconciliation of the booking of the operating section of the long bill.</td>
</tr>
<tr>
<td>OSC-007</td>
<td>Long Bill Capital</td>
<td>This report is updated annually to assist with the review and reconciliation of the booking of the capital construction section of the long bill.</td>
</tr>
<tr>
<td>OSC-008</td>
<td>Missing Data Elements – Summary Combining All Documents</td>
<td>This report identifies documents processed with missing appropriation units, revenue source codes, object codes, funds, departments, and balance sheet accounts. Corrections can be made using the JV1ADVN document.</td>
</tr>
<tr>
<td>OSC-009</td>
<td>Over Expended by Accounting Period</td>
<td>This report identifies overexpended line items at the legal level of control. Reports in the budget to actual folder (BA-xxx reports) can be used to review line item budgets.</td>
</tr>
<tr>
<td>OSC-010</td>
<td>Under Earned Revenue – By Accounting Period</td>
<td>This report identifies appropriation types with insufficient revenue to cover expenditures. This report will include fund balance authority as earned revenue via Event Type XG30. Underearned revenue at year-end is reported as an overexpenditure.</td>
</tr>
<tr>
<td>OSC-011</td>
<td>Higher Ed Capital Construction Transfers Compared to Institutional Fund Expenditures</td>
<td>This report shows mismatches between transfers out of the Capital Construction Fund, and project level expenditures within Higher Education Funds. The BSA 6610 capitalization offset is not included in this report.</td>
</tr>
<tr>
<td>OSC-012</td>
<td>Transfer Balancing - Other Cabinet</td>
<td>This report identifies net out-of-balance conditions for transfers across cabinet.</td>
</tr>
<tr>
<td>OSC-013</td>
<td>Transfer Balancing - Same Cabinet</td>
<td>This report identifies net out-of-balance conditions for transfers within the same cabinet.</td>
</tr>
<tr>
<td>OSC-014</td>
<td>Higher Ed Transfer Balancing</td>
<td>This report identifies net out-of-balance conditions.</td>
</tr>
<tr>
<td>Report ID</td>
<td>Report Title</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>OSC-015</td>
<td>Higher Ed Noncapitalizable DPA Emergency Controlled Maintenance Projects</td>
<td>This report compares DPA emergency maintenance funds distributions and the revenue received by higher education institutions.</td>
</tr>
<tr>
<td>OSC-016</td>
<td>Unbudgeted Posting Codes</td>
<td>This report contains a summary of unbudgeted expenditures and revenues to allow for identification of potential problems such as improper use of unbudgeted posting codes or missing unbudgeted entries.</td>
</tr>
<tr>
<td>OSC-017</td>
<td>TABOR Audit Adjustments</td>
<td>This report is used by the OSC to review entries impacting TABOR.</td>
</tr>
<tr>
<td>OSC-018</td>
<td>Exhibit Reconciling Balances</td>
<td>This report assists in the preparation of exhibits required to tie to CORE ending balances.</td>
</tr>
<tr>
<td>OSC-019</td>
<td>Capital Construction Continuing and Expiring Projects</td>
<td>This report provides a listing of both the expiring and continuing capital construction projects.</td>
</tr>
<tr>
<td>OSC-021</td>
<td>Capital Construction Expenditures Spent Compared to Budget</td>
<td>This report provides a summary of capital construction expenditures expressed as a percentage of the project budget. Projects with multiple funding sources should be spent proportionally.</td>
</tr>
<tr>
<td>OSC-022</td>
<td>BFY FY Mismatch</td>
<td>This report identifies transactions posted with mismatched fiscal year and budget fiscal year values.</td>
</tr>
<tr>
<td>OSC-023</td>
<td>Cash Funds Report_All Funds</td>
<td>This report is used for uncommitted cash fund reserve reporting. Departments are encouraged to use this report throughout the year to ensure revenues are properly recorded (see Chapter 5, Section 7).</td>
</tr>
<tr>
<td>OSC-024</td>
<td>Fund Balance Deficits</td>
<td>This report lists funds with deficit fund balances at the cabinet and department code levels. The second tab on this report shows fund balances for all funds, whether in a deficit position or not. As deficit fund balances are treated as overexpenditures, this report excludes pension balances and OSC use only department codes (department codes with X as the second character).</td>
</tr>
<tr>
<td>OSC-028</td>
<td>Budget Augmenting Revenue</td>
<td>This report identifies revenue in excess of expenditures in cash, federal, and reappropriated appropriations in the general fund.</td>
</tr>
</tbody>
</table>
1.2 Calendar Year-End Point-in-Time Reports
InfoAdvantage reports will be available by June 30 for subsidiary detail and balances as of June 30 for the following three balance sheet control accounts:

- Billed Accounts Receivable (account 1330)
- Vouchers Payable (account 2100)
- Warrants Payable (account 2000)

These calendar month-end reports are intended for use by departments to reconcile and analyze these three system accounts prior to the actual close. The Vouchers Payable report is unique in that it is also expected to be an accounting period report that will be produced for the close of Periods 12 and 14.

1.3 Primary Year-End Financial Reports and Accounting Period Considerations
The GA-001 report provides Statement of Revenues, Expenses and Balance Sheet reports at the fund level that is the basis for the Exhibit I certification.

Departments should run financial reports through Period 16. Period 99 is the system year-end close period and should not be used for reporting.

The annual close process posts fiscal year beginning balances in Period 0 each year. However, for reporting purposes, fiscal year beginning balances should be considered the Period 1 beginning balance and reports should be run as of Period 1.
CHAPTER 5: SECTION 2
EMPLOYEE TRAVEL EXPENSES

2.1 Background
Previously, Section 24-30-202(26), C.R.S. required that “The controller shall make available a report no later than February 1 of each year to the governor, the joint budget committee, and the legislative audit committee regarding the travel expenses of state employees for the prior fiscal year. Such report shall include, but shall not be limited to, an itemized list of the travel expenses of each department including in-state travel, out-of-state travel, and international travel.”

Additionally, at the request of the Office of the State Auditor, the Employee Travel Expense report included information on the number of personal vehicle miles driven by state employees broken out by in-state and out-of-state travel, and two-wheel drive and four-wheel drive miles.

On March 8, 2017, HB17-1058 was signed into law eliminating the requirement for the Employee Travel report. Therefore, beginning with FY2017, no travel reports are produced. However, although the requirement to produce the report has been eliminated, the need to properly record employee and non-employee travel in CORE still remains. Therefore, use of distinguishing object code expenditures is critical for the proper separation of expenses between state employees and non-employees. If an individual acts in more than one capacity (e.g., employee and witness, employee and juror, student employee and athlete), report only those expenses that an individual incurred while traveling in the course of his/her employment as employee expenses. All travel expenses incurred outside the course of employment should be reported as non-employee expenses.

2.2 Reviewing Accounting Data
The object and sub-object codes used to properly classify travel shall still be used and are listed below. Note that the use of the 2WHD sub-object is optional. Vehicle reimbursement expenses should be considered to be two wheel drive, unless recorded in the 4WHD sub-object code.

In-State Travel - State Employees
- 2510 - In-State Travel
- 2511 - In-State Common Carrier Fares
- 2512 - In-State Personal Travel Per Diem
- 2513 - In-State Personal Vehicle Reimbursement
  - 2WHD - Two Wheel Drive Vehicle Mileage (optional), (F2WD if Federal)
  - 4WHD - Four Wheel Drive Vehicle Mileage, (F4WD if Federal)
- 2514 - State Owned Aircraft
- 2515 - State Owned Vehicle Charges
- 2516 - In-State Personal Aircraft Reimbursement

Out-Of-State Travel - State Employees
- 2530 - Out-Of-State Travel
- 2531 - Out-Of-State Common Carrier Fares
- 2532 - Out-Of-State Personal Travel Per Diem
2533 - Out-Of-State Personal Vehicle Reimbursement
  2WHD - Two Wheel Drive Vehicle Mileage (optional), (F2WD if Federal)
  4WHD - Four Wheel Drive Vehicle Mileage, (F4WD if Federal)

International Travel - State Employees
  2550 - Out-Of-Country Travel
  2551 - Out-Of-Country Common Carrier
  2552 - Out-Of-Country Personal Travel Reimbursement

Departments should periodically review all travel related expenditure data to assure that all expenses are properly classified and recorded. To assist in this review, infoAdvantage has a detail travel expense report showing employee travel expenses by object code. The report is located under “Statewide Reports” in the “General Accounting” folder. The report is:
  ♦ GA-008 - Travel Report

Additionally, departments can use the various other infoAdvantage trial balance and transaction reports to review travel expense classification.
CHAPTER 5: SECTION 3
STATUTORY REPORTING OF OUTSTANDING LOANS AND ADVANCES

Per Section 24-75-204, C.R.S., the State Controller must file an annual report of all loans and advances outstanding at the end of the preceding fiscal year. This report must be filed with the Governor, the JBC, and the Legislative Audit Committee and is due no later than the date identified in the open/close calendar. The OSC prepares the report based on negative cash balances recorded on CORE as of final close June 30 and supports the report with approved department loan or advance applications.

Preparation of loan and advance applications is not solely a year-end task, and departments need to make sure that all loan and advance approvals are current and accurate throughout the year. Departments need to assess each of their activities’ working capital needs and review cash account balances on an ongoing basis to identify accounts where an approved loan or advance is or may be required. A loan or advance is generally not required for cash deficits in Funds 1000 and 4610.

The following policy and procedures covering loans and advances were contained in a memorandum issued jointly by the State Treasury, the OSC, and the OSPB on February 7, 1997. This section contains updates to that original policy to reflect current conditions.

3.1 Policy Statement
Section 24-75-203, C.R.S. allows the State Treasurer to make working capital loans to state cabinets, institutions of higher education, and departments with the approval of the Governor and the State Controller. The statute also allows the State Controller to authorize interest free working capital advances to state cabinets, institutions of higher education, and departments. The use of working capital loans and advances is to be kept at a minimum due to the impact on General Purpose Revenue Fund (Fund 1000) cash and because of the negative impact on statewide investment earnings.

Section 24-75-204, C.R.S. requires the State Controller to submit an annual report to the Governor, the Joint Budget Committee, and the Legislative Audit Committee summarizing all outstanding loans and advances. This report is based on deficit cash balances at the cabinet and fund level at the close of the fiscal year and is supported by approved loan and advance applications. This report is due no later than November 30 of each year.

In order to comply with the provisions of Sections 24-75-203 and 204, C.R.S., it is the policy of the State Treasurer, State Controller, and the Office of State Planning and Budgeting that:

- Cash must be on deposit with the State Treasurer, except where approved by the State Controller and the State Treasurer, or where exempted by the State Constitution.
- An application for a working capital loan or advance must be submitted and approved for all deficit cash balances, unless a specific exemption is granted.
- Deficit cash balances not supported with an approved working capital loan or advance will constitute the unauthorized use of General Purpose Revenue Fund (Fund 1000) cash. This unauthorized use may result in interest charges to the state department with the deficit and may result in other remedies that may include the suspension of activity from the deficit cash account.

The following are commitments made by the State Treasurer, State Controller, and the OSPB to achieve the goal of providing working capital loans and advances to state agencies while minimizing the impact on General Purpose Revenue Fund (Fund 1000) cash and the loss of investment earnings. We will:
• Adopt and communicate criteria defining which activities are eligible for a loan and which activities are eligible for an advance.

• Review the working capital needs of each state department that requests a working capital loan or advance using information provided by the department.

• Prescribe forms and procedures for state agencies to use in reporting their need for and requesting approval of working capital loans and advances.

• Analyze cash balances on a monthly basis at the fund/department level unless a lower level review is requested by a department or deemed necessary by the State Treasurer or the State Controller.

• Monitor cash balances in the General Purpose Revenue Fund (Fund 1000) and the Regular Capital Projects Fund (Fund 4610) at the fund-level on a statewide basis. Generally, agencies do not need working capital loans or advances for activities in these specifically identified funds; however, if it is determined that an department is operating in one of these funds, and is not in compliance with the statutes or this policy, a loan or advance may be required for that fund/department combination.

• Perform post-audit reviews, as necessary, to ensure state departments are complying with this policy.

3.2 Definition of Terms
The following are definitions of terms used in this policy:

Deficit Cash Balance - A negative amount in the CORE balance sheet account 1100 - Operating Cash at the fund/department level, or the fund/department/reporting category level when appropriate, at the close of any fiscal period and/or on an average daily balance level at the end of any calendar month.

Teaching Activities or Research - “Teaching” activities are those that include regularly enrolled students of the institution who receive credit toward a degree for participating in this activity. “Research” activities are those that advance the state of knowledge of an academic, vocational, or professional subject being conducted at the institution (testing performed solely for private concerns does not qualify as “research” for the purposes of this policy).

Primary Purpose - A significant majority (75 percent or more) of a fund/department’s activities by dollar volume are for a particular activity. For example, if 75 percent of the activity of a fund/department is for teaching and research, then this is the fund’s primary purpose.

Business Enterprise - An activity that is intended to be self-sufficient by generating adequate revenues through the sale of a product or a service to cover the associated cost of operations. This is not the TABOR definition of an enterprise.

Self-Maintaining Program - Programs that are intended to generate adequate revenues to support or exceed the expenditures incurred by the program.

3.3 Criteria for Determining Working Capital Loans or Advances
Cash balances (CORE account 1100 - Operating Cash) will be evaluated at the fund/department level unless the department, the State Treasurer, or the State Controller believes it is necessary to monitor the balances at a fund/department/reporting category level. A deficit cash balance at the fund/department level indicates the need for a working capital loan or advance. Considering the primary purpose of the fund, the department should apply for a working capital loan or advance at the point in time when a deficit occurs. The OSC is in the process of developing a single monitoring report to identify month-end and average daily balance deficit cash balances.
Departments should have procedures in place to monitor and identify deficit cash balances, so they can request a working capital loan or advance on a timely basis. The infoAdvantage report GA-020 report – Cash Balance is the best source to identify cash deficits at the fund/department level at the close of a fiscal period. The infoAdvantage report GA-002 - Average Daily Balance report identifies cash accounts with average daily deficit cash balances at month-end. The CORE CBALDQ table provides current cash balance information at a summary fund level.

Fund/departments established solely as system clearing funds are not considered a business enterprise activity or a self-maintaining program and should not have continuous deficit cash balances. However, if a clearing fund has a continuous deficit cash balance, the fund to which the cash is ultimately cleared should be evaluated to determine if the clearing fund requires a working capital loan or advance.

State Fiscal Rule 6-1, requires that agencies make timely deposits of cash to the State Treasury unless otherwise exempted by statute or rule. Withdrawal of these funds and subsequent redeposit into a separate checking account, savings account, or another investment shall be done only when authorized in writing by the State Treasurer and the State Controller. This approval is required even if moneys are subject to bond covenants or are eligible for investment pursuant to Section 23-5-112, C.R.S.

### 3.4 Working Capital Loans

Section 24-75-203(1), C.R.S. allows the State Treasurer to make loans to state departments agencies upon the written approval of the Governor and the State Controller. The OSPB provides the approval for the Governor. Interest on loans shall bear interest at the earnings rate calculated monthly by the State Treasurer. The State Treasurer calculates and charges interest based on the average daily balance of the cash account during a calendar month, and charges interest to the department on a monthly basis. All loans must be reviewed at least annually.

The following activities are eligible for loans:

- The operation of business enterprises by institutions of higher education when the primary purpose of that enterprise is not teaching or research, and which are, or may be, in competition with private enterprise.
- Any other self-maintaining program of a state department that generates its own revenues and which, in the judgment of the State Treasurer, has the capacity to repay the loan.
- Any other statutorily authorized loan.
- Any fund/department designated as a TABOR enterprise; fund/department is able to issue revenue bonds and receives less than 10 percent of annual revenues in grants from Colorado state and local governments.

The answers to the following questions will be included in the evaluation by the State Treasurer, State Controller, and the OSPB in reviewing applications for working capital loans:

- Does the fund/department’s cash account earn interest?
- Is the predominante source of a fund’s cash maintained on deposit outside of the State Treasury?
- Is the predominante source of a fund’s cash on deposit in another fund that is earning interest?
- Is the activity self-supporting continuing education?

All deficit cash balances in any fund/department will be considered to be eligible for a working capital loan, and the department may be charged interest by the State Treasurer, unless the
department submits an application and can demonstrate that the activity is eligible for a working capital advance. Any deficit cash balance that exists that is not supported by an approved working capital loan or advance application from a department, may be charged interest, as if it were a loan.

3.5 Working Capital Advances
Section 24-75-203(2), C.R.S. allows the State Controller to authorize interest-free advances to state agencies to provide working capital for certain programs. The statute sets a limit of no more than $12 million in advances to any one department or institution. These advances must be reviewed annually and shall be repaid at such time as the State Controller directs.

The statute defines the following activities as eligible for an advance:

- The operation of a program, other than those defined in Section 24-75-203(1), C.R.S., and discussed in Section 3.4 of this chapter.
- Federal programs for which federal advances or letters of credit are not available.
- Any other statutorily authorized advance.

Other factors that will be evaluated by the State Treasurer and the State Controller in reviewing applications for working capital advances include:

- Is cash designated to support a fund/department’s activity on deposit with the State Treasurer or in another department pending a distribution/allocation to the fund/department with the deficit cash balance?
- Does the fund/department’s cash account earn interest?

3.6 Working Capital Advances for Tobacco Settlement Programs
Section 24-75-1104.5(7), C.R.S. allows the State Controller to authorize an advance without interest to state agencies to provide working capital for the operation of tobacco settlement programs. If the fund receives other sources of revenue, this statute only applies to the portion received from the tobacco settlement allocation. Although the statute does not set a dollar limit, it is expected the advance will be repaid upon receipt of the second tobacco settlement payment in the following April.

3.7 Additional Criteria Guidelines for Institutions of Higher Education
For higher education governing boards, deficit cash balances will be monitored at the board level. Deficits in individual funds within those boards will not be reviewed for this purpose. If there is a deficit at the board level, it will require an interest-bearing loan from the State Treasury.

3.8 Processing a Loan or Advance Application
Departments should prepare loan or advance applications when a fund/department under their control incurs a cash deficit. The dollar amount of the request should be adequate to cover any existing or potential cash deficit. If a deficit exceeds an approved loan or advance amount, a revised application must be submitted. Upon approval of a revised application, the previously approved loan or advance will be null and void.

Failure to submit an application when a deficit has occurred may result in interest charges, and may result in the suspension of activity in the affected fund/department’s cash account. At year-end if a department has not responded to requests for Loan/Advance applications, the Financial Services unit will send the department a notice of noncompliance and file the notice in the OSC’s Loans and Advance file, which is subject to auditor’s review.
All loans and advances must be reviewed annually. Applications should be submitted on a fiscal year basis. To ensure adequate review time, applications for the renewal of an existing loan or advance should be submitted one month prior to the expiration date.

If a loan or advance application is for activities that are not federally funded and the request exceeds $300,000, a 24-month cash flow projection is required as support to the application. If the activity is federally funded and the request exceeds $1,000,000, a 24-month cash flow projection is required as support to the application. The cash flow analysis should be for the period of the loan or advance plus the subsequent number of months necessary to total 24 months. When there is a mixture of activities within the fund, the nature of the request and the primary purpose of the fund should be considered in determining if a cash flow projection is required.

Cash flow analysis should include a narrative description of the assumptions on which the cash flow is based. The assumptions may include stable, increasing, or decreasing revenue flows, source of revenues, industry trends, stable or unstable expenditure flow, economic trends, etc. At a minimum, the cash flow analysis should show on a monthly basis for 24 months the beginning cash balance, expected receipts and disbursements, and ending cash balance. Receipts and disbursements may be broken out as to the type of receipt (e.g., fees and fines) and to the type of disbursement (e.g., personal and operating).

The application forms included in this section should be used for all requests for working capital loans or advances. There is a standard form to be used for initial requests, revisions, and renewals. There is also a quick renewal form that may be used to renew existing loans or advances only when the conditions, other than the period and amount, for that loan or advance have not changed from the prior approved request. Complete and obtain the necessary signatures on the applications and forward them to the department’s assigned OSC Financial Specialist.

Please contact the department’s assigned OSC Financial Specialist for questions regarding this policy or the procedures or forms necessary to apply for a loan or advance.
CHAPTER 5: SECTION 4
PROCEDURES FOR PREPARING QUARTERLY FINANCIAL REPORTS

4.1 Quarterly Reporting Overview
Section 24-30-204(2), C.R.S. requires all departments and institutions of higher education to submit a quarterly report of financial information to the State Controller that shall include financial information deemed reasonable and necessary. The following section sets forth the State Controller’s policy and guidelines to accomplish the intent of this important law and is amended to incorporate modifications deemed necessary after review and analysis.

4.2 Policy Statements Related to Quarterly Reporting
Timely and accurate financial reporting is vital for the proper functioning of state government. Such financial information must be available for controllers, program administrators, executive management, legislators, and their staff for decision making and planning purposes.

The following policy statements shall apply:

1. This policy applies to all state departments and institutions, including all boards and commissions.
2. Generally, monthly interim accruals will not be allowed in CORE, except certain revenue accruals specifically approved by OSC. Annual accruals are required for year-end closing.
3. Each quarterly reporting period should be regarded as an integral part of the fiscal year. Thus, in general, the results for each quarterly period should be applied on a modified cash basis. Expenditures such as salaries and operating expenditures should be posted as they occur. Arbitrary assignment to periods is not appropriate.
4. The state financial system, CORE, shall be the system for recording timely and accurate financial data and from which quarterly reports shall be prepared and forwarded to the controller in compliance with the reporting requirement of this law.
5. All state departments operating directly in CORE are strongly encouraged to use the cost accounting module of CORE to facilitate accounting and revenue recognition.
6. The fourth quarter includes Periods 13 and 14.

4.3 Guidelines for Quarterly Reporting
The following guidelines are to be implemented in order to carry out the policy statements set forth above.

1. This guideline applies to all fund types except for agency funds (Fund 9xxx), and the general full accrual account group (Fund 4710). For institutions of higher education, this guideline shall apply only to Fund 305x, Fund 320x, and capital construction Fund 4610.
2. State departments with sponsored programs are to timely bill and collect from the sponsoring entities as provided by the State Fiscal Rules.
3. Direct billing departments are to standardize the billing and cut-off dates so that the cost of the various services may be consistently charged. A standardized schedule of billings should be distributed to all affected departments.
4. State departments are encouraged to clear all suspense and clearing accounts to zero. The
OSC may require explanations for any individual clearing/suspense account balance. The balance sheet accounts covered by this provision include accounts with an abnormal balance indicator of "Z" in the first character of the BSA Type rollup field.

5. Physical counts of consumable inventories, capital assets or accrual for compensated absences are generally not required for quarterly financial reporting purposes. However, when in the judgment of a controller or chief financial officer, a sudden loss, known obsolescence or seasonal variation materially affects expenditures or an asset then an accounting adjustment during the quarterly period should be completed.

6. State departments shall clear all funds and appropriation codes established for the purpose of clearing activity that should be properly recorded in another fund to zero. Examples are funds and appropriation codes established to record payroll activity prior to distribution to the appropriate fund where the expense was incurred.

7. State departments shall correct all inappropriate abnormal account balances and explain expected, appropriate abnormal account balances. Credit balance expenditures and receivables, debit balance revenues and payables, and suspense/clearing account balances, all have the potential impact of misstating a department’s financial position and should be corrected. All account balances should be properly recorded.

8. Reporting to the State Controller under this policy shall be met by the requirements listed below. These reporting requirements are in addition to other requirements as set forth in Sections 24-75-102 and 24-30-204(1), C.R.S.

   a. Review of CORE OSC Diagnostic Reports available in infoAdvantage. See Chapter 5, Section 1 for a review of these reports.

   b. Review of a CORE budget to actual report (such as the BA -003 - Budget vs. Actual - By LBLI, Appropriation Type, Appropriation Unit & Fund). This review is intended to identify problems at a lower level of control than the legal level presented in the OSC diagnostic reports. Issues may include those which may affect CORE budget control (enforced at the BQ90/91LV3 level, not the legal level of control), grant and project budgets, appropriations remaining in Fund VSCF, revenue or expenditures recorded against an incorrect appropriation unit within the same appropriation type, and departmental reporting.

   c. Review of a CORE trial balance report (such as the GA-001, GA-010, or GA-017). The OSC-003 – Abnormal Balances report presents potentially abnormal balances, but reviewing a trial balance report could identify other issues which could include normal balances recorded in the wrong BSA, out of balance funds and department codes, balances that are not reasonable for the fund (for example, fixed assets in a governmental fund), and unchanged balances.

   d. Certification that payroll reconciliations are complete for departments processing payroll through CPPS. Contact state_centralpayroll@state.co.us for guidance on completing reconciliations.

   e. Certification that CORE security administrators have reviewed CORE access reports for their respective departments. The CORE User Access Policy is available on the CORE website.

   f. Based on a review of CORE reports, department or institution controllers are encouraged to continue to provide department executive management with a financial summary highlighting significant trends, issues or developments.

In order to comply with this policy, departments must complete the above reporting requirements within 25 days after the quarter ends, unless an earlier due date has been established and
communicated by the OSC.

4.4 Quarterly Reporting Procedures

The OSC publishes a series of diagnostic reports showing potential noncompliance conditions that can be run on demand. Diagnostic reports are available in infoAdvantage as described in Chapter 5, Section 1. Additional diagnostic reports may be developed in the future and departments will be notified when they are published. Departments are encouraged to utilize the reports throughout the year to address diagnostic report balances prior to quarter and annual close.

Departments have until the close of the quarter in which to review the reports and make the necessary adjusting entries in CORE to correct the conditions. Departments should make every effort to correct all abnormal account balances, out-of-balance conditions, overexpenditures, and other items identified in the reports.

Departments that fail to submit quarterly reports by the deadline will be notified by their respective OSC Financial Specialist and asked to provide a report. If the department fails to submit a quarterly report by the date specified in the open/close calendar, the FSU Financial Specialist will request the report a second time from the department. If the departments fails to submit the requested report, the State Controller will be notified of the department’s non-compliance with Section 24-30-204(2), C.R.S. and will request the report.

Quarterly reports are a key internal control for management of the State’s financial affairs and reports that fail to provide evidence of a good-faith review and response to the quarterly reporting requirements may be deemed insufficient. The State Controller will be notified of departments that submit insufficient reports.

Departments shall retain copies of all reports submitted to the OSC for departmental use and audit documentation.
CHAPTER 5: SECTION 5
TABOR REPORTING

5.1 Background
Article X, Section 20, the Taxpayer’s Bill of Rights (TABOR), was added to the Colorado Constitution as a result of the passage of Amendment 1 in the November 1992 general election. The passage of amendments and referendums has since affected certain TABOR requirements.

♦ Amendment 23 in the 2000 election established the State Education Fund that receives one third of one percent of federal taxable income (AGI), and exempts that revenue from the TABOR count.

♦ Referendum A in the 2000 election exempted fifty percent of the first $200,000 of actual value as of the assessment date of residential and real property of an owner-occupier. The State was required to reimburse local governments for the net amount of property tax revenues lost as a result of the property tax exemption provided. For TABOR purposes the state fiscal year spending limit was increased by $44.1 million in FY2002.

♦ Amendment 35 in the 2004 election increased tobacco taxes and excluded the increase from the TABOR count.

♦ Referendum C, passed in the 2005 election, allowed the State to retain and spend all revenues in excess of the TABOR limit through FY2010. However, it did not remove the requirement that the State compute and report on TABOR during the five year refund hiatus. The referendum also required that the highest population and inflation adjusted fiscal year spending amount during the five year period be used as the base in calculating the Excess State Revenues Cap beginning in FY2011. As a result, accounting for and reporting on the TABOR requirements remains an important responsibility of all accountants and managers in the State.

♦ Proposition AA passed in the 2013 election, authorized the State to impose additional sales tax and excise tax on recreational marijuana sales.

♦ Other minor voter approved revenue changes have occurred, such as, exempt fees for hog farm regulation and maintaining a registry for medical use of marijuana.

Other than Article X, Section 20 itself, the most pertinent TABOR legislation is Sections, 24-77-101 through 107, C.R.S. which provides implementation guidance and clarifies many of the terms used in TABOR.

5.2 TABOR District and Exclusions From the District
The District is defined by TABOR as “… the state or any local government, excluding enterprises.” In addition to enterprises, Section 24-77-102(16)(b)(II), C.R.S. also excludes any special purpose authority from the District.

Enterprises are designated in one of two ways. The first method is by statute; the second method, which is exclusive to higher education enterprises, is by designation of the governing boards with review by the State Auditor. If an enterprise is designated by statute or a higher education governing board, it still must annually meet additional requirements to be excluded from the District in that year. The enterprise must be a government-owned business authorized to issue its own revenue bonds and receive less than 10 percent of its annual revenue in grants from all Colorado State and local governments combined.
For FY2018, the TABOR enterprises are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Citation</th>
<th>Department Code (and/or FCAT/Fund Code)</th>
<th>Unit</th>
<th>Funds Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Board</td>
<td>35-41-101(5)(a)</td>
<td>BBAA</td>
<td></td>
<td>1080, 1090, 7210</td>
</tr>
<tr>
<td>Capitol Parking Authority</td>
<td>24-82-103(5)(a)</td>
<td>AADA</td>
<td>4410</td>
<td>5190</td>
</tr>
<tr>
<td>Clean Screen Authority</td>
<td>42-3-304(19)(a)(II)</td>
<td>TCAA, TX4A</td>
<td></td>
<td>5200</td>
</tr>
<tr>
<td>College Assist</td>
<td>23-3.1-103.5(1)(a)</td>
<td>GDAA (or GX3A and FCAT = E600)</td>
<td></td>
<td>5010, 501S, 5020, 5260 and all Funds except 4610</td>
</tr>
<tr>
<td>College Invest</td>
<td>23-3.1-205.5</td>
<td>GRAA (or GX3A and FCAT = E300, Z200)</td>
<td></td>
<td>512S, 515S, 5270, 5280, 5450, 5460 and all Funds except 4610</td>
</tr>
<tr>
<td>Colorado Healthcare Affordability and Sustainability Enterprise</td>
<td>25.5-4-402.4(3)(b)</td>
<td>UHAA</td>
<td></td>
<td>2410</td>
</tr>
<tr>
<td>Correctional Industries</td>
<td>17-24-104(1)</td>
<td>CFAA, CFBA, CFCA (or CX5A and FCAT = E900, EA00 (or Fund = 27G0))</td>
<td></td>
<td>5060, 5070, 5080, and all Funds except 4610</td>
</tr>
<tr>
<td>Electronic Recording Technology Fund</td>
<td>24-21-402(2)</td>
<td>VAAA</td>
<td></td>
<td>2034</td>
</tr>
<tr>
<td>Higher Education Institutions</td>
<td>23-5-101.7(2)</td>
<td>GFXX, GGXX, GJXX, GKAA, GLAA, GSAA, GTAA, GWAA, GYAA, GZAA (or GX3A and FCAT = E100)</td>
<td></td>
<td>All Funds except 1000, 305X, 333F, 4610</td>
</tr>
<tr>
<td>Auraria Higher Education Center</td>
<td>23-5-101.7(2)</td>
<td>GMAA</td>
<td></td>
<td>320M to 325M, 399M</td>
</tr>
<tr>
<td>Parks and Wildlife</td>
<td>33-9-105</td>
<td>PMAA (or PX6A and FCAT = E500 (or fund = 7510, 7610, 7611, 8610, 8611))</td>
<td></td>
<td>16H0, 1720, 1730, 1750, 2100, 21H0, 22F0, 4100, 4110, 4120, 4130, 4180, 4200, 4210, 4220, 4230, 4250, 4260, 4270, 4280, 4290, 4330, 7510, 7610, 7611, 8610, 8611</td>
</tr>
<tr>
<td>Petroleum Storage Tank Fund</td>
<td>8-20.5-103</td>
<td>KATA</td>
<td></td>
<td>1300</td>
</tr>
<tr>
<td>State Lottery</td>
<td>24-35-202(1)(b)</td>
<td>TFAA (or TX1A, TX2A and FCAT = E400)</td>
<td></td>
<td>5030 and all Funds except 4610, 8200</td>
</tr>
</tbody>
</table>
### 5.3 Fiscal Year Spending is the Same As Nonexempt Revenue

Fiscal Year Spending (FYS) is defined in Article X, Section 20 paragraph (2)(e) of TABOR as “all district expenditures and reserve increases except, as to both, those for refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales.”

A literal reading of the definition of FYS is confusing because it is defined as expenditures and reserve increases except for those from certain revenues. The definition mixes expenditures, revenues, reserve increases, reserve transfers, and reserve expenditures. However, the Colorado Supreme Court has defined reserves as the same as fund balance. Thus expenditures plus reserve increases (or less decreases) would equal revenues given the accounting equation (Revenue – Expense/Expenditures = Change in Fund Balance). As a result, FYS is the same as revenues except for those revenues specifically excluded by TABOR.

Two further refinements are necessary. One is that once District revenue is exempt, it is always exempt. The second is that revenue should not be counted twice within the same District. Given these stipulations, earnings on exempt money are exempt, and transfers within the District are always exempt. However, money transferred from an exempt enterprise to another department within the District would not be exempt, because it is the first time the money has entered the District. An informative example is certain indirect cost transfers received by the Department of Revenue. Indirect cost transfers from the Gaming Division would be exempt from TABOR, while the same transfers received from the Lottery would be TABOR nonexempt. The reason is that the Gaming Division has already counted the Gaming revenue from which the indirect cost transfer is paid while the indirect cost transfer received from the Lottery had not been counted for TABOR, because the Lottery is an exempt enterprise.
5.4 Great Outdoors Colorado

Amendment 8 established the Great Outdoors Colorado Authority (GOCO) in the same November 1992 general election that established TABOR. Amendment 8 received substantially more votes than did Amendment 1 (TABOR). Based on the disparity in the vote tally, the Colorado Supreme Court ruled that GOCO takes precedence over TABOR and that money the State receives from GOCO is exempt. Since exempt money retains its exemption, agencies need to be careful when receiving and accounting for GOCO money. For example, if the Division of Parks and Wildlife receives GOCO money and then passes it on to another department, that money would retain its exemption even though Parks and Wildlife is a TABOR exempt enterprise and normally revenue received from Parks and Wildlife would have to be counted as nonexempt.

5.5 Investment Earnings

Normally when investment earnings are received on exempt revenues those earnings are also exempt. However, there is an exception to that rule. When nonexempt revenues are transferred within the District, even though the transfer is exempt, the earnings on the transferred moneys would be nonexempt since the original source was nonexempt. For example Gaming moneys are nonexempt and the investment earnings on that money are also nonexempt even after the funds have been transferred to another department as an exempt transfer. If this policy were not in place, the State could avoid earning nonexempt TABOR investment revenue by simply transferring the revenue to another fund. Doing so would violate the intent of TABOR.

5.6 Corrections of Errors in Recording Revenues in Prior Years

For Fiscal Year Spending Limit purposes, Section 24-77-103.5, C.R.S. requires the State Controller to correct errors in prior years’ revenues by increasing or decreasing the allowable fiscal year spending of the year in which the error is discovered. Although no specific limitation is expressed in the statute on the number of years an undiscovered error will be considered subject to this statute, other statutes do place limitations on the retention and amendment of records; for example, revision of income tax returns is limited to four years. Adopting this same limitation, it is the policy of the State Controller to only amend TABOR revenues for errors in the previous four fiscal years. For Excess State Revenues Cap (ESRC) purposes, Section 24-77-103.6, C.R.S. is silent on the correction of errors in prior years’ revenues. Exhibit A1, which is used to notify the Controller of an error in TABOR revenue is limited to the previous four fiscal years and should be submitted, regardless of amount.

5.7 Revenue Received from Higher Education Institutions


For FY2018 all institutions except the Auraria Higher Education Center (AHEC) are expected to fully qualify as TABOR enterprises and operate in Fund 320X; Western State Colorado University will re-qualify. AHEC has been designated as a partial TABOR enterprise and operates in both Funds 305X and 320X.

A higher education institution is disqualified as a full TABOR enterprise if it receives more than ten percent of its revenue in grants from state or local governments, or loses its ability to issue revenue bonds. When a fully designated TABOR enterprise disqualifies it becomes only partially designated, as the auxiliary enterprise portion of its activities continues to meet the criteria for designation (similar to AHEC).

State agencies that are not TABOR enterprises must properly classify their inflows from all higher education institutions as exempt if the inflows come from the institution’s Fund 305X, or
as nonexempt if the inflows come from its Fund 320X. In general, inflows received from a partially designated higher education institution’s Fund 305x (by state agencies that are not TABOR enterprises) are exempt because the inflows are simply a movement of funds within the state TABOR district. Inflows received from an institution’s Fund 320x are nonexempt because the inflows are new within the state TABOR district.

5.8 Accounting for Changes in TABOR Enterprise Status (Higher Education Institutions Only)

Beginning in Fiscal Year 2018-19, journal entries to transfer operating activity between funds 305X and 320X should use BSA 340E – Equity Transfer, as the offset for balance sheet accounts. For example, an institution of higher education that re-qualifies as a TABOR enterprise would account for the change by posting an entry to clear asset, liability and fund balance accounts in fund 305X and posting the offset to BSA 340E, also in fund 305X. The same entry, with debits and credits reversed, would be posted to fund 320X. Revenue and expenditure accounts would simply be cleared out of fund 305X and entered in 320X.

Balance sheet account 340P should no longer be used as the offset account.

5.9 Questions Regarding TABOR

Questions about TABOR and whether or not certain revenue is exempt or nonexempt may be directed to Marc Burkepile (303-866-3346 or marc.burkepile@state.co.us) in Financial Analysis & Reporting.
CHAPTER 5: SECTION 6
MANAGEMENT REPORTING RESPONSIBILITIES

6.1 Reporting for Financial Responsibility and Accountability Act Article 17, Title 24, C.R.S.
The Financial Responsibility and Accountability Act requires that each principal department and higher education institution file an annual written statement that their systems of internal accounting and administrative control are in compliance with the requirements of the Financial Responsibility and Accountability Act. To certify compliance with the Act, departments are required to complete a Statement of Compliance which contains the statutory requirements and examples for maintaining internal control. The OSC recognizes that each department/institution has its own method for assessing its control systems. The Statement of Compliance also serves to certify each department’s ongoing review of TOPs data, including the process to identify adjustments to data exclusions (see Section 6.4 of this chapter). Departments are required to attach a brief summary of the assessment process used, and plans and schedules for correcting any weaknesses noted.

The Statement of Compliance, with attachments, is due by December 31 annually. Send one copy of the Statement, with attachments, to the OSC and one copy to the Office of the State Auditor. The OSC will provide the required information to the Governor’s Office. The Statement can be found under “Forms” at https://www.colorado.gov/pacific/osc/financial-resources.

6.2 Management Representation Letter
Due to the detail, complexity, and compliance aspects of the State Controller’s representation letter to the State Auditor, and in order for the State Controller to have a basis for making representations to the State Auditor, all departments and institutions of higher education are required to provide the State Controller with a signed copy of the representation letter that is sent to the State Auditor. The signed letter is due to the OSC the same day it is provided to the State Auditor, which is dictated by the close of audit fieldwork by the OSA’s Statewide Audit Team.

The State Auditor developed a standard format for the management representation letter. Use of the standard format will simplify the OSC’s review by allowing easier identification of required elements, as well as unique items requiring further scrutiny.

6.3 Federal Funding Transparency and Accountability Act (FFATA)
FFATA guidance can be found on the OSC’s website at: https://www.colorado.gov/pacific/osc/ffata

6.4 Transparency Online Project System (TOPS)
As a result of House Bill 09-1288, the OSC and the Governor’s Office developed the Transparency Online Project. The bill required that many of the data elements contained in the State accounting system be made available publicly, and the resulting public website can be accessed at: https://apps.colorado.gov/apps/oit/transparency/index.html. There was a provision to exclude legally protected data, and each department and institution provided exclusions at the time of implementation. However, the review of data needs to be ongoing to identify changing circumstances. Certification of the review is contained in the annual FRAC statement discussed in Section 6.1 of this chapter. Additionally, each department’s website must contain a link to the TOPS website.

6.5 Commercial Card Violation Report
Pursuant to Fiscal Rule 2-10, all incidents of commercial card misuse that are recurring,
significant, or in excess of $500 should be reported in writing to the State Controller at least annually. Reports shall be submitted to the OSC by November 1 each year. This Report must include the department’s review process, the violations found, and consequences enforced.

All incidents of commercial card suspected theft or embezzlement shall be reported according to Fiscal Rule 1-9.

6.6 Reporting Theft or Embezzlement

Pursuant to Fiscal Rule 1-9, any suspected theft or embezzlement of state funds shall be immediately reported to the Chief Executive Officer, or delegate, and the Chief Financial Officer of the state department or higher education institution and appropriate action taken. A theft or embezzlement of state funds or assets totaling $5,000 or more per incident shall be reported in writing to the State Controller. Also, the results of any investigation or follow-up including corrective measures implemented to prevent or reduce the likelihood of future occurrences must be reported in writing to the State Controller in a timely manner.

Loss, theft, or unauthorized disclosure of sensitive or personal information as described in Section, 24-72-204, C.R.S. shall be reported immediately to the department/institution’s Chief Executive Officer (or delegate), Chief Financial Officer and the State Controller.
UNCOMMITTED CASH RESERVES REPORTING

Section 24-30-207, C.R.S. requires the State Controller to prepare a report showing the amount of uncommitted reserves credited to each of the State of Colorado’s cash funds. Fund definitions within this report are based on GAAP definitions, rather than the statutory definition of any particular fund. This report will be audited annually by the State Auditor. The report is to be delivered to the Office of State Planning and Budgeting and to the Joint Budget Committee on or before September 20 of each year.

Use the infoAdvantage report OSC-023 for the Cash Funds Turnaround Report (during period 14) and Cash Funds Final Report (during period 15) related to the below information.

7.1 Cash Fund Defined

Section 24-75-402(2)(b), C.R.S. defines “cash fund” as any fund, other than the state General Fund and any federal fund, any fund used by a state institution of higher education, and any fund established by law for a specific program or purpose.

The balances of each fund are generally reported at the fund and cabinet level.

7.2 Cash Funds Excluded

The following cash funds are specifically excluded from the cash reserves report for this fiscal year.

- Any cash fund for which revenue is derived solely from fees, the amounts of which are established by the federal government.
- Any cash fund for which revenue is derived solely from fees set by the Colorado Supreme Court in the exercise of its exclusive authority to regulate the practice of law.
- Any cash fund for which revenue is derived solely from fees set by an enterprise, as defined in Section 24-77-102(3), C.R.S. or a special purpose authority.
- Any cash fund that is established for capital construction.
- Any cash fund for which the reserve amounts are based on actuarial requirements.
- Any trust funds.
- Any cash fund with uncommitted reserves of less than $200,000.
- The Petroleum Storage Tank Fund.
- The Brand Inspection Fund.
- The Highway Users Tax Fund (except the Emergency Medical Services Fund, Colorado State Titling and Registration Fund, and the AIR account).
- The State Highway Fund.
- The CBI Identification Unit Cash Fund.
- Health Facility Construction and Inspection Cash Fund.
- Emergency Fire Fund.
- Wildland Fire Equipment Repair Fund.
- Wildland Fire Cost Recovery Fund.
- Wildfire Emergency Response Fund.
• Wildfire Preparedness Fund.
• Enterprise Services Cash Fund.
• Oil and Gas Conservation and Environmental Response Fund.
• Any cash fund used to fund a single program if the program has been in existence less than two full years.

7.3 Fund Balance
Fund balance is the net of total assets and total liabilities (including ending balances for closing classes 1, 2, 4, 5, 16 and 17) in each fund as of fiscal year-end. The balance excludes financial statement presentation entries.

7.4 Exempt Assets
Exempt assets are any long-term assets or nonmonetary current assets held by the fund at fiscal year-end. “Nonmonetary” current assets are those that either cannot be converted to cash or are held with the intent of being used rather than converted to cash, including but not limited to consumable inventory and prepaid expenses. Amounts in this column also include the Capital Reserve.

7.5 Capital Reserve
Section 24-75-403(2), C.R.S. states that “For each cash fund from which moneys are appropriated for capital outlay or capital construction, the principal department responsible for the accounting related to the fund shall identify in the fund balance report a capital reserve, which consists to an amount equal to the depreciation of the depreciable components of the capital outlay or the capital construction, based on the depreciation period.” The OSC has provided the amount of Accumulated Depreciation related to the funds on the Cash Funds Uncommitted Reserves Report for your information.

7.6 Previously Appropriated Fund Balance
Previously appropriated fund balance is that portion of fund balance that has been appropriated for capital construction or other multi-year purposes. Funds to be transferred per a continuous appropriation in statute are considered to be a multi-year purpose and therefore should be included in the previously appropriated fund balance. However, reserve transfers mentioned in the Long Bill are not necessarily considered multi-year and will need to be evaluated on a case-by-case basis to determine whether they fit the description of previously appropriated fund balance.

7.7 Fee Revenue
Fee revenue means any moneys collected by an entity, except that fee revenue does not include:

• Any moneys collected from sources excluded from state fiscal year spending, as defined in Section 24-77-102(17), C.R.S.
• Any moneys received through the imposition of penalties or fines or surcharges imposed on any person convicted of a crime.
• Any moneys appropriated from the General Purpose Revenue Fund (Fund 1000).
• Any moneys received through the imposition of taxes.
• Any moneys received from charges or assessments, the amount of which is not determined by the entity.
• Any moneys received from gifts or donations.
• Any moneys received from local government grants or contracts.
• Any moneys received through direct transfers from another entity, enterprise, or a special purpose authority.
• Any moneys received as interest or other investment income.

7.7.1 Fees Set in Statute
Any fees that are set in statute should be recorded as revenue using the sub-revenue code “STAT.” The Report specifically excludes amounts recorded in sub-revenue code “STAT” from the Fee Revenue calculation.

7.8 Non-fee Fund Balance
Non-fee fund balance is calculated by subtracting any exempt assets, capital reserves, and previously appropriated fund balance from the total fund balance and multiplying the result times the ratio of non-fee revenue to total revenue.

7.9 Uncommitted Reserve
Uncommitted reserve is calculated by subtracting any exempt assets, capital reserves, and previously appropriated fund balance from the total fund balance and multiplying the result by the ratio of fee revenue to total revenue.

7.10 Maximum Reserve
Maximum Reserve is defined as 16.5 percent (approximately 2 months) of fiscal year expenditures.

7.11 Maximum Alternative Reserve
In some cases, an alternative reserve is used when there is a reserve limit established by statute or through a waiver.

7.12 Excess Uncommitted Reserve
Excess uncommitted reserve is the amount by which the uncommitted reserve exceeds the maximum or alternative reserve.

7.13 Turnaround Report
The OSC-023 report is used as a Turnaround Report as of Period 14, and includes a report of any fund with uncommitted reserves greater than or equal to $200,000. This report is available in infoAdvantage (See Chapter 5, Section 1.1). Please see the tab of the report named “Turnaround Report, Only Funds with Uncommitted Reserves greater than $200,000.” Departments with funds having Uncommitted Reserves greater than $200,000 must respond to dpa_FARmailbox@state.co.us by the date in the open/close calendar.

For the turnaround report, save the report in Excel format, fill in any information regarding:

• Previously Appropriated Fund Balance amounts.
• Alternative Maximum Reserve amounts.
• Identify funds with multi-year revenue-collection cycles (and providing the fiscal years included in those cycles for averaging).
• Verify the reasonableness of what is reported for any funds.
Email the turnaround report to dpa_FARmailbox@state.co.us with explanations, statutory citations, and provide any JBC-approved waivers.

The OSC-023 report also includes tabs with the following information:

All Funds, Regardless of the Amount of Uncommitted Reserves (U.R.).

Fee Revenues for All Funds, Regardless of the Amt of U.R.

These reports are provided for department information only. However, if any of the funds on the All Funds tab have Previously Appropriated Fund Balance, Alternative Maximum Reserve, funds with multi-year revenue-collection cycles, or funds with JBC-approved waivers, please send that information to dpa_FARmailbox@state.co.us. Although many of the funds on the All Funds report are not required to be reported on the statutory report, please be aware that the All Funds report is included in the statewide cash funds audit report.

In any case, review all reports for reasonableness, and contact dpa_FARmailbox@state.co.us for questions or concerns.

7.14  Funds Out of Compliance on the Statutory Report

When a fund has been out of compliance (excess uncommitted reserve on the statutory report) for 3 or more consecutive years, the OSC is instructed to restrict the amount in the next fiscal year, as determined in CRS 24-75-402(12). The restriction amount is based on the statutory report that is provided to the OSPB and JBC.

Within a reasonable time after the statutory due date of September 20, the OSC will contact the department, requesting the budget line where the restriction should be placed. Budget documents will be processed with a controller restriction.

7.15  Lifting a Restriction

A restriction may be lifted in the following ways:

- If a department provides a waiver (approved by the JBC) applicable to the fiscal year prior to the year a restriction is in place, the OSC will release the restriction as referenced in the waiver. This could occur mid-year.

- If no waiver is approved, the restriction will stay in place until the end of the fiscal year, when the Cash Funds Uncommitted Reserves Report (Turnaround through Final report) is prepared.

If the fund is still out of compliance at the end of the year, the restriction will be recalculated, and placed in the following year.

7.16  Cash Funds Uncommitted Reserves Calculation

See the following calculation, with the infoAdvantage programming criteria used to arrive at the amounts in the columns of the report.

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**Cash Funds Uncommitted Reserves Report Calculation**

**Office of the State Controller**

**Updated March 29, 2017**

Please refer to the Notes or Section 24-75-402, C.R.S. for information on funds excluded and other items related to the Cash Funds Report.

System exclusions: Any funds with “X” in the 2nd character, and any activity with OSC or OSCG task codes are excluded. The report is produced using the Accounting Summary Universe in infoAdvantage

**Fund Balance (see Note 4):**

Closing Classification: 1 (Asset Roll Forward) PLUS

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Closing Classification: 4 (Contra Asset Roll Forward) PLUS
Closing Classification: 5 (Cash Roll Forward) PLUS
Closing Classification: 16 (Billed Unearned Revenue Roll) PLUS
Closing Classification: 17 (Collected Unearned Revenue Roll) PLUS
Closing Classification: 2 (Liability Roll Forward)

Exempt Assets (see Note 5):
Closing Classification = 1 (Assets) AND
Balance Sheet Code =
140X = Supplies Inventories, Fuel Inventories, or Manufacturing Supplies, OR
144X = Warehouse inventories, OR
15XX = Prepaid Expenses, Advances, & Undistributed Charges except for 1580 Securities in Lieu of Retainage, OR
16XX = Long-Term Investments OR
17XX = Other Long-Term Assets OR
18XX = Fixed Assets (excluding Accumulated Depreciation, see Capital Assets below) OR
19XX = Other Debts.

Capital Assets (see Note 6):
Closing Classification = 4 (Contra) AND
Balance Sheet Code =
18XX = Accumulated Depreciation.

Fee Revenue (see Note 8):
Closing Classification = 14 (Collected Revenue) and 15 (Billed Revenue)
Revenue Class = NEXM (Nonexempt)
AND
Revenue Group = 2000 (Licenses/Permits/Certifications) OR
Revenue Group = 3000 (Charges for Sales and Services) OR
Revenue Group = 7000 (Other Financing Sources) OR
Revenue Group = 8900 (Miscellaneous Revenue) OR
Revenue Group = 9500 (Fund Additions) PLUS
Revenue Source Code = 6400 (Rents from External Sources - Nonoperating).
Revenue Source Code = 6420 (Rents from External Sources - Operating (Nonexempt)) AND

Sub-revenue excludes "STAT" (Statutory Portion of Mixed Fees for SB98-194 Reporting), fees set in statute.

Here is the formula in the field:  =Round(Sum(If([Closing Classification] InList("14" ;"15") And [Sub-Revenue Source]<="STAT" And [RS Group Indicator] InList("2000" ;"3000" ;"7000" ;"8900" ;"9500") And [Revenue Source Class]="NEXM") Then (-1*[End Balance]));0)

Total Revenue:
Closing Classification 14 or 15 (Revenues).

Total Expenditures:
Closing Classification 10 or 11 (Expenditures).

Non-Fee Fund Balance: (see Note 9):
((Total Revenue - Fee Revenue) divided by Total Revenue) times (Fund Balances less Exempt Assets less Previously Appropriated Fund Balance (see Note 6)).

Uncommitted Reserves (see Note 10):
(Fee Revenue divided by Total Revenue) times (Fund Balances less Exempt Assets less Capital Assets less Previously Appropriated Fund Balance (see Note 6)).
The Total of Non-Fee Fund Balance and Uncommitted Reserves should equal Fund Balance minus Exempt Assets minus Capital Assets.

Maximum Reserve (see Note 11):
Total Expenditures times 16.5%.

Alternative Maximum Reserve (see Note 12):
Alternative Maximum Reserve provided in the fund’s enabling statutes.

Excess Uncommitted Reserves (see Note 13):
(Uncommitted Reserves minus Maximum Reserve or Alternative Maximum Reserve, if any). If this amount is less than $0, then $0 is shown.
CHAPTER 5: SECTION 8
INDIRECT COST EXCESS RECOVERY FUND REPORT

Indirect cost recoveries shall be recorded when earned in separately identifiable accounts as determined by the State Controller. All Indirect cost recoveries are required to be credited to the state general fund, unless otherwise appropriated or directed by law. Senate Bill 13-109 creates the Indirect Costs Excess Recovery Fund (Fund 27G0) for each principal cabinet, except the Department of Higher Education, as a mechanism to capture the collection of indirect cost revenue, in excess of the amount needed, for the use of the cabinet who earned it, in the future years.

8.1 Calculation
The calculation of the excess is the difference between each department's Indirect Cost Assessment line item(s) and recovery through the application of the negotiated rate to each grant and program. It is the policy of the State Controller that the maximum recovery available, as required in Fiscal Rule 8-3, be credited as revenue to separately identifiable accounts.

8.2 Transfer of Excess Indirect Cost Revenue
Prior to Period 13 close, each department shall transfer any excess revenues collected that exceeds the amount expended to Fund 27G0 - 1/C EXCESS RECOVERY FUND. Contact Paul Reynolds (paul.reynolds@state.co.us) to establish coding, as necessary, to complete the transaction.

8.3 Annual Report
As required by Senate Bill 13-109, the Office of the State Controller will annually report the revenues, expenditures, and fund balance in each cabinet’s account within the Indirect Costs Excess Recovery Fund (Fund 27G0) to the Joint Budget Committee and the General Assembly each November 1. For questions, contact Bhavna Punatar at bhavna.punatar@state.co.us.
CHAPTER 6: SECTION 1
EXTERNAL FINANCIAL SYSTEMS AND BANK ACCOUNTS

1.1 External Financial System Approval Process
Pursuant to Fiscal Rule 1-6 departments or institutions of higher education must receive prior approval (a waiver) from the State Controller to use an external system to record financial transactions and financial information, develop financial reports, and/or prepare financial statements. Waiver requests should be sent to the department’s assigned OSC Financial Specialist.

1.2 External Bank Account Approval Process and Oversight
Per the requirements of Sections 24-36-103, 24-36-104 and 24-75-202, C.R.S. departments or institutions of higher education must obtain prior approval from the State Controller and the State Treasurer to open an external bank account. Approval for the account will be in the form of a letter from the OSC, and this approval must be obtained prior to opening an account.

The department should prepare and submit a written request for an external bank account to the OSC signed by the department’s controller. Send the written request to the department’s assigned OSC Financial Specialist. This request should contain the following information:

1. Type of account requested (e.g. depository, imprest, checking/savings)
2. Justification for the account, including:
   a. Why this money cannot be directly deposited with the Treasurer.
   b. Why state warrants cannot be issued.
   c. Use of account (e.g. What moneys will be deposited into the account? What kind of disbursements will be made out of the account?).
   d. Statutory or regulatory requirements.
   e. Anticipated average daily balance in the account.
   f. Any other information available to clarify the review.
3. Bank preference, if known.

The OSC reviews the request and if approved, routes their approval via a memo to the State Treasurer for review and approval. If the State Treasurer approves the request, the OSC will notify the requesting department. Additional information regarding the bank name, account number, and other items need to be provided to the OSC once the external bank account is opened. A form is provided along with the approval memo to relay this information to the OSC. If either the OSC or the State Treasurer denies the request, the department will be notified by the OSC.

If the department has questions regarding banking issues relative to opening an external bank account, they should contact the cash manager at the Department of Treasury (303-866-3253) prior to submitting the request for approval. Approvals for a group of accounts will be granted only for agencies that have numerous accounts for the same purpose (e.g., driver license offices throughout the State). The Department of Treasury also performs periodic reviews of existing external bank account usage to determine if the account is still necessary.

1.3 Deposit of Public Fund
Public funds are required by statute to be deposited in eligible public depositories. Section 11-
10.5-111, C.R.S. states in part,

“All official custodian may deposit public funds in any bank which has been designated by the banking board as an eligible public depository. It is unlawful for an official custodian to deposit public funds in any bank other than one that has been so designated.”

“Each official custodian shall inform an eligible public depository that the public funds on deposit are subject to the provisions of this article before entering into a depository agreement with the eligible public depository.”

Each department or institution of higher education of the State has been assigned a 12-digit Public Deposit Protection Act (PDPA) number. See the Department of Regulatory Agencies, Division of Banking website listed below for further explanation of the Act.

Department or institution of higher education PDPA numbers should **not** be used on any accounts where the funds are not public funds.

The State Treasurer is generally considered the official custodian of state funds. Contact the Department of Treasury (303-866-5826) with questions regarding state funds, and for the PDPA number assigned to your department.

Each state department or institution of higher education’s PDPA number may also be accessed on the Division of Banking website at: [https://www.colorado.gov/pacific/dora/node/98576](https://www.colorado.gov/pacific/dora/node/98576). The department or institution’s PDPA number must be furnished to the banking institution at the time the account is opened. Any questions regarding banking institutions authorized to accept public funds should be directed to the Department of Regulatory Agencies, Division of Banking (DOB) at 303-894-7575.

The Division of Financial Services within the Department of Regulatory Agencies maintains the eligible list of savings and loan institutions. The Division can be reached at 303-894-2336 or the list of Certified Banking Institutions (those determined eligible to hold public funds) can be accessed by going to the division’s website at: [https://www.colorado.gov/pacific/dora/node/100231](https://www.colorado.gov/pacific/dora/node/100231).

Each banking institution eligible for the deposit of public funds is issued a certificate by the DOB. The department should request a copy of the banking institution’s certification as an eligible public depository and maintain it for its records.

### 1.4 Recording Cash in Approved External Bank Accounts

Departments with approved external bank accounts may use the CR10XX document to record external bank account fees and revenues with the CR10XX document.

CR10XX documents should have a record date of the date the money was deposited in the external bank account. The FY and BFY should match with the period that was open on that date. For example, a deposit in the operating account on June 25, 2017 would have a CR10XX header record date of June 25, 2017 and a header FY and BFY of 2017 and period of 12. A deposit in the operating account on July 1, 2017 would have a CR10XX header record date of July 1, 2017 and a header FY and BFY of 2018 and a period of 1. The BFY and FY must be the same.

When populating the accounting lines of the CR10XX it is important to remember to reference OSBA 1043 (for additional information on why users need to make this entry, please see fiscal procedures Chapter 3, Section 3.36).

**Event Types:**

With the CR10XX the suggested event type is XR26 (CR10XX Collect Earned Revenue) which is specific to the CR10XX document. However other event types are available.
Line Types:

Line types may be selected based on the type of posting. Deposits and fees can both be accounted for to reconcile to the ending bank balance for that month statement. Fees need to be entered as a negative amount so the deposit plus fees net out to the bank balance.

Example:

Line 1 is a bank balance of $20,000. This would be a line type A (Principal) with an event type of XR26. This amount would be entered as a positive amount.

Line 2 is your monthly bank fees totaling $56. Line 2 would be event type XR26 with a line type of D (Admin Fee) and the line amount will be entered as a negative amount.

On the Header, it should net to the balance of the accounting lines which should also reflect your bank ending balance.

Posting:

In most cases, when simply recording revenue, there will be a debit to Generic Asset and a credit to Collected External Revenue. Also reference OSBA 1043 in the fund accounting.

When posting fees/fines there will be a debit to Collect NSF Revenue and a credit to Generic Asset (also referencing OSBA 1043).

Sweeping to Treasury Pooled Cash:

Departments can subsequently record sweeps from external bank accounts to Treasury using a regular CR document. Event type AR51 debits Treasury pooled cash and credits the 10XX account.
CHAPTER 7: SECTION 1
CREDIT/ACCOUNTS RECEIVABLE POLICY

Section, 24-30-202.4, C.R.S. states:

“The state controller shall advise and assist the various state agencies concerning the collection of debts due the state through such agencies, in accordance with rules promulgated by the executive director of the department of personnel, to achieve the prompt collection of debts due such agencies. The controller may delegate the responsibility for the collection of debts to the central collection services section of the division of finance and procurement, or any successor section, in the department.”

“Upon referral to the controller of debts due the state, the controller shall institute procedures for collection thereof pursuant to the rules and regulations promulgated therefor by the executive director of the department of personnel.”

The Executive Director for the Department of Personnel & Administration (DPA) has issued the Accounts Receivable Collections Administrative Rule (the Rule) that establishes policies and procedures for the collection of debts due all state agencies and institutions (state agencies). The Rule provides general guidance to state agencies in developing procedures for the collection of accounts receivable. The Rule also provides general guidelines on submitting accounts to Central Collection Services (CCS) in DPA. The Rule does not outline a statewide credit policy, nor does it have definitions for important terms involved in the collection of debts due the state.

This policy outlines the State of Colorado's credit policy and provides state agencies with definitions of selected terms involved with receivables and receivable collections. It also provides procedural guidance on recording, reporting, and collecting debts due the state.

This policy applies to debts due the state from sources other than federal, state, or local governments. The policy applies to all state agencies, unless specifically exempted by statute. If a state department determines that compliance with this policy presents an undue hardship on the operations of the department, the state department should consult with the OSC on the need to deviate from the policy. Section 23-5-113, C.R.S. states that the governing board of any higher education institution may promulgate rules and regulations relating to the collection of any outstanding obligations owed to their institution.

1.1 State of Colorado Credit Policy

It is the policy of the State of Colorado that:

♦ State agencies implement policies and procedures that ensure prompt payment of amounts due the state. This includes developing and implementing a credit policy for the state department.

♦ State agencies, where possible, collect for goods or services provided at or before the time of delivery. When state agencies utilize credit cards, they are encouraged to institute a credit card acceptance procedure as soon as possible.

♦ State agencies extend credit only when required by statute or other administrative rule, or when collectability is reasonably assured and appropriate steps are taken to protect the interest of the State.

♦ State agencies provide a notification to the debtor regarding what appeal or dispute rights are available.

♦ All invoices, which represent an extension of credit under this policy, must include a due date when payment is required to be received by the state department, unless the due date is
otherwise specified by written agreement.

♦ A final invoice which advises the debtor that the account is subject to final department determination and will be referred to collections if not paid by the due date.

♦ State agencies should not voluntarily extend credit to individuals or businesses known to have outstanding debts, or nondischarged debts resulting from a bankruptcy order within the past seven years of the most recent request for credit. State agencies should not accept personal checks for payments from individuals who have submitted checks previously that have not cleared the bank. Under these circumstances, state agencies must receive payment for goods or services in advance or at the time the goods or services are provided.

When credit is voluntarily extended, the state department must obtain sufficient information from the debtor to allow for collection efforts should the debt not be repaid on a timely basis. State agencies must make every effort to obtain sufficient information from a debtor when the state department is required to extend credit. The Rule includes relevant information that state agencies should obtain before extending credit.

1.2 State of Colorado Past Due Receivable Rule and Policy

The Rule requires:

♦ State agencies bill for goods or services rendered as quickly as possible.

♦ State agencies establish a definite schedule of payment of the account receivable.

♦ State agencies refer all debts to the State Controller for collection when the debt is 30 days past due or in accordance with an approved alternative timeframe. This requirement is met by sending the past due accounts to CCS.

♦ State agencies should not refer debts in amounts less than $1.00 to CCS. Their system cancels any balance less than $1.00.

The Rule defines a debt as being “past due” if the debt has not been paid by the close of business on the due date.

The due date is defined as the date when payment for invoiced goods or services must be made to the State, or the date(s) scheduled payments are due under a payment plan.

It is the policy of the State of Colorado that:

♦ State agencies implement methods or procedures to identify and follow-up on past due receivables. This includes, but is not limited to, a periodic aging of all accounts receivable.

♦ State agencies establish a due date that provides reasonable assurance of prompt payment by the recipient, when it is not feasible to collect payment at the time the goods or services are provided.

♦ State agencies reconcile internal records to reports issued by Central Collections Service (CCS) showing past due accounts receivable amounts submitted to CCS for collection on a periodic basis, but not less than quarterly.

1.3 Exemptions from Timely Submission of Accounts to Central Collection Service

Certain agencies have either a statutory exemption or a waiver from the State Controller extending the 30-day time frame for submitting past due accounts to CCS. Past due accounts, as defined by the Accounts Receivable Administrative Rule, include receivables 30 or more days past the due date established by the department. The waivers granted by the State Controller allow for additional time to submit accounts to CCS based on a specific or unique circumstance in that department. The OSC will periodically review these extensions to determine whether the
circumstances for which they were given are still valid. Any department wishing to apply for an extension should do so by submitting the “Accounts Receivable Collections Administrative Rule 2.6 - Extension Request of 30-Day Requirement” form to their department’s OSC Financial Specialist.

The form is also located on the OSC’s website under Forms at https://www.colorado.gov/pacific/osc/financial-resources.

1.4 State of Colorado Accounts Receivable Write-off Policy

It is the policy of the State of Colorado that state departments shall, at least annually, review their accounts receivable prior to the end of the fiscal year and request a write-off of accounts deemed uncollectible. An account may not be written off if it has not been through tax offset (if applicable) and if there has been collection activity within the last 27 months. Other criteria may exist which would support the writing-off of an amount due the State.

When determining if an account is uncollectible, a state department should consider the following factors:

♦ Age of the receivable.
♦ Payment activity on the account.
♦ Results of legal actions taken.
♦ Financial condition or other relevant information regarding the debtor.
♦ Results of tax-offset process.

Because write-offs are done for financial reporting purposes only, they do not affect the validity of the debt or the continuing collection efforts. Departments should maintain detail regarding the original charges and other fees even after the receivable has been written off. Generally, there is no statute of limitations on debts due the State.

The request for write-off should be processed in accordance with the administrative rule procedures. For write-off requests submitted to CCS for accounts over $50, CCS will make a recommendation to the OSC, and the OSC will make a decision based on CCS’s recommendation. For accounts under $50, there are no required approvals from CCS or the OSC, as long as the accounts have been through one tax offset cycle and the department has notified CCS within 30 days of such write-offs. See Chapter 3, Section 3.5 for additional details related to the accounting of write-offs.

A department may not request a write-off of an account deemed uncollectible if it has not been referred to CCS. If deemed uncollectible, the debt needs to be requested as a forgiveness of debt. See Section 1.8 below regarding the policy on forgiveness of debt due the state.

1.5 Cancellation of Accounts Receivable Submitted to Central Collection Service

Under certain circumstances, a state department may determine that an account was inappropriately submitted to CCS, or other events have occurred that results in a need to recall the account from CCS. In this event, the state department may submit a cancellation request to CCS. A cancellation stops all collection efforts and adjusts the account balance to zero on CCS’s database. Information on how to request a cancellation can be obtained from CCS.

A cancellation request could occur under the following conditions-

1. The debt is cancelled, but remains on the accounting records:

♦ A past due account is submitted to CCS by a state department authorized to collect on past due accounts receivable using a means or method other than CCS, and the
state department chooses to use other means, or methods to collect the debt. The receivable remains on the state department’s accounting records.

♦ A state department receives payment to bring the account into current status within five working days of placing the account with CCS. The receivable remains on the state department’s accounting records.

2. The debt is cancelled and is removed from the accounting records:

♦ The state department determines that the debt should never have been submitted to CCS because it was not a valid receivable or other similar reason. This includes debts submitted to CCS where collection efforts cannot proceed because the required debtor information or evidence supporting the underlying charge is not available. The state department should remove the receivable from the state department’s accounting records.

♦ A loan guaranteed by the federal government or some other guarantee organization is in default and the loan is turned over to the guarantee organization for collection. The state department should remove the loan from the state department’s accounting records.

♦ An order of bankruptcy discharge that identifies the state debt as being discharged. The state department should remove the receivable from the state department’s accounting records.

♦ Death of the debtor with no estate to make a claim against, after being included in the next tax offset, if appropriate. The state department should remove the receivable from the state department’s accounting records.

A cancellation request should not be used to recall an account from CCS because of direct payment to the state department after five days after assignment, or to stop collection efforts because the state department wants to forgive, settle, or otherwise compromise the amount that is due the state.

1.6 Administrative Adjustment of Balances for Accounts Submitted to Central Collection Services

Occasionally account amounts may need to be corrected. These corrections are referred to as administrative adjustments. Types of administrative adjustments may be:

♦ When a state department may need to change the principal or interest amount of debt reported to CCS as past due. Such an adjustment may be necessary due to an error or other principal change since the original amount was placed for collection.

♦ Compromises of debt approved by the State Controller and State Treasurer are also treated as administrative adjustments.

When these occur, the state department should submit an adjustment report to CCS so that both entities books are in balance.

Except in the case of compromises or settlements, collection efforts will continue on the remaining outstanding balance. CCS can provide information on how to report an adjustment to an account.

An adjustment should not be requested when a payment is received directly by the state department or as a means to settle, forgive or otherwise compromise an amount due the state that has not been approved by the State Controller and State Treasurer.

Departments and CCS may also need to adjust their internal records because of minor differences
between the two. The CCS system cancels any balance remaining on an account that is less than $1.00. Departments may make these miscellaneous (nonprincipal) adjustments to their internal records without the approval of the State Controller and without submitting an adjustment report to CCS. These generally occur with a final payment. Additionally, these types of adjustments should be less than ten dollars.

Departments should make appropriate entries to their accounting records to reflect administrative adjustments made by CCS.

1.7 Pay Directs

A state department that receives a payment on an account already assigned to CCS, shall notify CCS within 30 days of receipt of such payment. CCS and/or contract vendors are entitled to commission on such payments.

If such payment will pay the balance in full on an account, the state department should contact CCS prior to accepting payment to ensure balances are accurate.

1.8 State of Colorado Policy on Forgiveness, Settlement, or Other Compromise of Debt Due the State

Section 24-30-202.4(3)(c), C.R.S. states:

“The state controller, with the consent of the state treasurer, is authorized to write off, release, or compromise any debt due the State, but only in accordance with the rules applicable thereto. Such rules may provide delegated authority and criteria for write off, release, and compromise of debts and may include provisions to prohibit the referral of debts for tax offset based on the age or amounts of debts. The rules governing write off, release, and compromise of debts may include provisions authorizing the collection of principal, interest, and other collection fees and costs, including the fees required in subsection (8) of this section”

It is the policy of the State of Colorado to forgive, settle, or compromise amounts due the State only when it is in the best financial interest of the State to do so. Institutions of Higher Education that have promulgated their own rules and regulations are not subject to the policy on forgiveness, settlement or other compromise. Section 23-5-113(2), C.R.S. allows these institutions to authorize write off, release, or compromise of any debt or obligation due the institution according to their rules and regulations.

A forgiveness, settlement, or other compromise of a debt due the State involves a decision on the part of the State not to collect an amount due the State, or collect an amount less than the full outstanding balance, including interest and fees. A state department may believe it is in the best financial interest of the State to forgive, settle or compromise a debt. The state department must submit a request to the State Controller to forgive, settle, or compromise a debt. All such requests should be submitted to the State Controller through CCS. If the forgiveness request is for an account that has never been submitted to CCS for collection, CCS may be consulted for concurrence with the forgiveness request.

The request for forgiveness, settlement, or compromise should include:

♦ Debtor name, CCS debtor number, state department.

♦ Original balance of debt, amount paid, amount to be settled, forgiven, or compromised.

♦ Collection efforts made.

♦ All relevant financial information used in deciding why the recommended action is in the best financial interest of the State.
If the State Controller concurs with the request, the request will be forwarded to the State Treasurer. If the State Treasurer concurs with the request, an approval letter will be sent to CCS, which CCS will forward to the state department that made the request. Upon approval by the State Controller and the State Treasurer, CCS will apply any final payment, adjust the balance of the account on CCS’s inventory system to zero, and change the status on the account to settled in full (SIF). No further collection activity will occur. A forgiveness, settlement, or compromise is treated like an administrative adjustment.

If the State Controller or State Treasurer does not approve the request, it will be returned to CCS as denied. CCS will forward the denied request to the state department.
CHAPTER 8: SECTION 1
STATEWIDE SECURITY POLICY FOR ACCESS TO THE STATE FINANCIAL SYSTEM

1.1 Security Policy

It is the policy of the State of Colorado that:


- Access to the State Financial System is limited to only what the user needs to accomplish his/her job responsibilities.

- Access is permitted under the condition that the user signs and observes the applicable Statement of Agreement. Access may be revoked if the user violates this Statement.

- Access requests are initiated by completing the applicable security request forms and documents approved by the department controller who has knowledge about the users’ legitimate need to access/change financial data.

- Employees with access to confidential information must agree to a background check, if required by policy.

- Each user will receive an individual user ID for access to the State Financial System.

- Users must take precautions to protect State Financial System passwords.

- User accounts will remain active until a user’s employment relationship either changes or terminates, or the dormancy period is exceeded, if applicable.

- Each department controller is the Department’s Security Administrator for the State Financial System.

- All users will attend any required training before security access is granted.

- Requests received for information contained in the State Financial System shall be processed according to statewide procedures for handling open records requests.

- The State Controller may approve exemptions or waivers from this policy.

1.2 Applicability

This policy applies to all state employees, contract employees and all other individuals granted access to the State Financial System. The purpose of applying this policy to contract employees is to protect the State’s interest and does not create an employer-employee relationship.

1.3 System Specific Policies and Procedures

The security policies and procedures for each system can be found at the websites listed below:

CORE

- User Access. The CORE website contains the User Access Policy as well as information on obtaining access to CORE, job aids, and workflow diagrams. Department Security Administrators must manage access per the policy including only granting the access...
required by a user’s job duties and disabling access for any user who no longer needs access or has terminated employment with the department. Additionally, Department Security Administrators are required to confirm compliance with the User Access Policy as part of quarterly reporting. Reports are available in infoAdvantage under Security and Workflow which can be a useful tool in reviewing users and their access as well as workflows and approval role relationships. Example of some of the reports include:

- **SEC-001** shows users’ status (i.e., active, disabled, or locked). A status of disabled or locked means the user cannot log into CORE. If a user is terminated departments should ensure their status is disabled not locked. The OSC is in the process of updating this report to also show each user’s active security roles and workflow roles.

- **WF-001** shows the workflow role and approval role relationship. This report is useful when trying to determine the workflow roles and approval roles that are need to approve each type of document within a department.

### Contract Auditor Access

Department controllers may elect to approve access to CORE for Office of the State Auditor contract auditors as an alternative to providing printed documentation. If approved, the contract auditor must complete the attached statement of compliance access request form. Department controllers are responsible, similar to their own staff, to complete the associated CORE UDOCs to establish and discontinue contract auditor access when no longer necessary. When granting contractor access, please be sure to request ALL_READ access only. The Office of the State Auditor will coordinate network access directly with OIT for all contract auditors, which is necessary before CORE access can be considered.

### Security Role Administration

For policies related to establishing and maintaining security roles in CORE see the CORE website.

**COFRS, FDW, DocumentDirect, and CPPS**

- For policies and procedures related to user access for these systems see the OSC’s website at [www.colorado.gov/pacific/osc/security-policy-access-state-financial-systems](http://www.colorado.gov/pacific/osc/security-policy-access-state-financial-systems).
CHAPTER 8: SECTION 2

CORE INFOADVANTAGE

InfoAdvantage is the reporting tool that provides a data warehouse from the State of Colorado’s Operational Resource Engine (CORE) data. It allows for both summary and detail reporting for all functional business areas.

Each of the functional business areas has their own “Universe” assigned to it. A universe groups data elements that correspond to that functional business area for the formulation of reporting and analysis. Within the Universes, there are hierarchies of Classes. Classes are folders and sub-folders of data elements called Objects that are categorized and grouped to allow for logical and succinct combinations of valid data. Reports can be created in real-time based on the user-specified parameters set forth by the Universe attributes and prompts. Ledgers and tables that infoAdvantage extracts data from are updated nightly from CORE data in a process called ETL; the reporting system depends on the completion of ETL for accurate data.

2.1 Report Formats

WebIntelligence - A digital report that may be displayed in the web browser as an HTML page as part of infoAdvantage itself. This is the default report format. Users must use Microsoft Internet Explorer, have Java installed, and cookies enabled; OIT can assist with the compatible Internet Explorer and Java versions.

Excel - The Excel spreadsheet format includes all parts of the data of the report. This includes, but is not limited to, the report title, headers, subtotals and totals. This format is useful if users wish to manipulate the data within it or delete certain columns in the report. Users may also re-sort the report or display it as a graph or a pivot table by using Excel charting functions and selecting only data fields omitting non-data attributes such as headers, footers, etc.

PDF - In some cases, users may prefer the PDF report format to HTML for viewing, distributing, or printing a report. Adobe Acrobat is required to read/print PDF files. When users select a report in PDF format to download, the Adobe Acrobat reader application should open the document, where users may view and print the report. Users may download the reports; then re-format them to view in portrait, landscape or legal size, depending on the size of your report. This format does not allow any data manipulation, and therefore is limited in its practicality.

CSV - The CSV (Comma Separated Values) format includes only the raw data of the report; sections such as header, subtotals, etc. are all removed from a CSV export. CSV should not be used for reports that have a custom variable; columns with custom variables will be irrational in the CSV output. Best practice suggests saving the report in Excel format instead. Only use CSV for situations in which the number of rows being outputted exceeds Excel's row limit.

2.2 Report Delivery

InfoAdvantage is based on the self-service delivery model for the standard report users. The standard report users select reports from the functional folders, select filters from list boxes that have drill down capabilities and submit the parameters to run the report.

Reports in infoAdvantage can be scheduled, run on demand, and tailored by changing report parameters. The reports can be delivered to users in the infoAdvantage inbox and directly to the user’s email address.
2.3 **Beginning Balance Universe Definitions**

- **General Accounting** -
  - The universe that contains the main accounting journal that contains all of the State’s chart of accounts, and contains details down to the document identification.

- **Summary Ledger** -
  - The universe similar to "General Accounting", but it only provides data for the five chart of account elements (Department, Fund, Sub-Fund, BSA, Sub-BSA) that are contained on the JVAC document, which is only document used in the annual close process.

- **Accounting Summary** -
  - The universe that provides pre-calculated values for beginning balances, net activity, and ending balances. This universe is continuously simulating CORE’s annual close, and is able to generate "Beginning Balances" prior to the annual close process actually being performed.

2.4 **Beginning Balance Differences**

The following information is provided to distinguish certain infoAdvantage reports according to the underlying data on which the reports are based.

**Annual Close Dependent** – Some infoAdvantage reports use General Accounting or Summary Ledger universes. The General Accounting and Summary Ledger universes do not contain beginning balances for the next fiscal year until the current annual close is completed. When run for the current fiscal year, but after close of the prior fiscal year, BSA beginning balances are correct. When run for the next fiscal year, BSA beginning balances will be zero until the close of the current fiscal year is completed. The following reports use the General Accounting or Summary Ledger universe:

- GA-016 through GA-019
- LDGR-001 and LDGR-002

**Simulated Annual Close** – Some infoAdvantage reports use the Accounting Summary universe. The Accounting Summary universe contains calculated values for beginning balances for the next fiscal year thereby continually simulating annual close. When these reports are run for the next fiscal year, the current fiscal year revenues and expenditures are reported as if closed to beginning fund balance/equity for the next fiscal year. The following reports use the Accounting Summary universe:

- GA-010
- CA-001

**Data Validation** – Data validation related to the annual close may be performed through use of various combinations of reports noted above. When a fiscal year’s annual close has been completed, there should be no differences with respect to the next fiscal year’s beginning balances when comparing any of the reports noted above.
CHAPTER 9: SECTION 1
OTHER STATUTORY AND NONEMPLOYEE FEDERAL REPORTING

The Office of the State Controller (OSC), Central Management Unit (CMU) is responsible for centrally managing other compliance with statutes and nonemployee federal reporting. Departments must send written requests to the CMU help desk at state_centralapproval@state.co.us for assistance in the areas addressed below. Departments exempt from using the State’s financial system shall be responsible for compliance with the statutes identified in this section and for IRS filing requirements per Internal Revenue Code. If not using the State system, the Department must obtain a separate Taxpayer Identification Number (TIN) from the IRS for federal reporting purposes.

1.1 Disbursements, Cancellations, and Reissues

Section 24-30-202, C.R.S. requires the OSC to manage and control disbursements. Departments are responsible for performing due diligence for all unpaid warrants or checks to identify if the payable is valid. If a valid payable, the Department must reissue the payment to the vendor or transfer the payment to the Unclaimed Property Trust Fund per Section 38-13-106, C.R.S. Process guidance on due diligence and how to cancel/reissue a warrant is located on the OSC’s website at www.colorado.gov/pacific/osc/centralaccounting.

1.2 Escheatment Process

The escheatment process of outstanding warrants required by Section 24-30-202(9)(a), C.R.S. has been automated so that it will occur the first Saturday of each month for uncashed warrants six months old. (e.g. Saturday, April 7, 2018 escheatment process will run for September 2017 warrants). Any warrants that are escheated will be turned over to the Great Colorado Payback (State Treasury) per statutory requirements.

Per Unclaimed Property Law Section 38-13-110(5), C.R.S., Departments are required to perform due diligence for all warrants not yet cashed. Please submit required documentation to state_centralapproval@state.co.us at least two weeks prior to the warrants being escheated. Details on how to process these requests can be found in the Warrant Escheatment Guide located on the OSC’s website at www.colorado.gov/pacific/osc/centralaccounting.

1.3 Intercepts and Garnishments

Section 24-30-202.4(3.5)(a)(I), C.R.S. requires the State of Colorado to intercept or withhold payments made to vendors who owe the State for outstanding debts. If a payment issued by a Department was intercepted, do not reissue the funds. The Department has paid the vendor; some or all of the funds have just been applied to a debt the vendor owed the State. If vendors have questions regarding the amounts that were intercepted, refer them to the Department that intercepted the funds. To identify which Department intercepted the funds, please see the Vendor Intercept Guide on the OSC’s website at www.colorado.gov/pacific/osc/centralaccounting.

1.4 Federal Reporting

The Internal Revenue Service (IRS) requires federal reporting for nonemployee compensation payments. The OSC on behalf of the Departments sends various federal reports to vendors and the IRS. By January 31, the State is required to send forms to vendors AND the FINAL electronic file to the IRS. This means that any corrections to the IRS electronic file required after January 31 will be subject to fines and penalties. Department must ensure coding for services is accurate on all payments to vendors. Data corrections outlined in the Federal Reporting Guide found on the OSC’s website MUST be completed/approved by the last business day in December.
CORE will no longer recognize corrections for JVC and JV1STND transactions after December. If you have corrections after December, please send an email with 1099 Correction/Question in the subject line and a detailed explanation of the correction needed, vendor id, and legal name to state_centralapproval@state.co.us.

1.5 Vendor Management

New vendor and customer records must be added by departments using a VCC document in CORE. Modifications to existing records, such as vendor legal name, taxpayer identification number, addresses, and Electronic Fund Transfers (EFT’s) banking details are completed centrally by the OSC in the Vendor/Customer (VCUST) table. Central administration of the VCUST table helps ensure federal reporting is correct and confidential information is protected. Process guidance is located on the OSC’s website at www.colorado.gov/pacific/osc/centralaccounting.

1.6 PERA Employer Contributions for Independent Contractors

Sections 24-51-101, 24-51-401, 24-51-403, and 24-51-1101, C.R.S. require the State of Colorado to pay PERA employer contributions on payments for services made to Independent Contractors that are PERA retirees working for the State of Colorado. Departments using CORE are responsible for disclosure of the relationship with the retired state employee working as an Independent Contractor to the OSC to allow coordination of employer contribution payments to PERA on behalf of Department. Departments must also ensure coding for services is accurate on all PERA Retiree Independent Contractor payments and as needed make necessary coding corrections within the same month. Departments must require a Disclosure of Compensation Form be provided by retirees hired as Independent Contractors working under a taxpayer identification number other than their social security number. For additional direction on this process, see the OSC’s website at www.colorado.gov/pacific/osc/centralaccounting.