



Colorado Community College System

**SYSTEM
ACCOUNTING
PROCEDURES
MANUAL
(SAP)**

January 20, 2016

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SAP-1: ADOPTION OF ACCOUNTING PROCEDURES

DATE APPROVED BY CONTROLLERS' GROUP: June 16, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE:

PURPOSE:

The System Accounting Procedures (SAPs) serve two purposes:

To establish consistent procedures for community colleges for accounting and/or financial reporting

To provide reference material where other authoritative guidelines do not exist or there are not specific procedures to follow

PROCEDURE:

Accounting procedures for the community colleges will be written as the need becomes apparent. The initial drafts may be written by interested individuals or by task groups formed for that purpose.

The draft procedures will be distributed to the community college controllers' group for discussion and comment.

After discussion, revision and agreement, the procedure will be added to the SAP manual. The procedure is binding on all State system community colleges. The identification of authoritative support for an alternative procedure does not justify a departure from the SAP. In such cases, the appropriate action is a proposal to state system staff for a revision of the published procedure as may be necessary.

SAP-2: STANDARD TUITION REFUND POLICY

DATE APPROVED BY CONTROLLERS' GROUP: February 2, 2000

EFFECTIVE DATE: July 1, 1999

REVISED DATE:

PURPOSE:

To establish a tuition refund policy that is consistently applied across the Colorado Community College and Occupational Education System.

PROCEDURE:

A 100% refund of tuition will be made if a student officially drops from classes prior to the class census date. There will be no refund if the student withdraws from a class after the published census date.

Exceptions to this policy will be made in cases where the federal or state government or state board policy mandates or suggests a different refund policy. An example is SBCCOE Board Policy 4-20 which allows a refund to students who are in the National Guard or military reserves in the event they are called to active duty as the result of partial or general mobilization.

SAP-3: ACCOUNTS RECEIVABLE SPONSORED STUDENTS

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE:

PURPOSE:

To provide guidance on accounts receivable, sponsored students.

PROCEDURE:

Normally a student is expected to either pay tuition in full or make satisfactory alternative arrangements at time of registration. One of the acceptable alternatives is that payment is expected from the student's sponsor at a later date. This procedure addresses some issues which might arise if payment is not received from the sponsor.

To begin with, it should be made clear to the student that he or she is the one ultimately responsible for the payment of the tuition bill. This will probably be explicitly stated in the college catalog; nevertheless, it would be wise to remind the student of this at the time the sponsor's guarantee is accepted in lieu of cash payment.

If the sponsorship is conditional (e.g., the sponsor will pay tuition if the student satisfactorily completes the course), the college should require the student to satisfy his or her tuition obligation by payment at time of registration or by one of the other alternatives provided by college policy.

If the college accepts the sponsor as payer of the student's tuition, the college must use due diligence in its efforts to collect from that sponsor. Obviously the college will have great difficulty in eventually collecting from the student if the inability to collect from the sponsor can be blamed on misfeasance or nonfeasance on the part of the college.

If the sponsor does not make the required payment, the college should notify the student that the expected payment has not been received and that it is the student's responsibility to pay the outstanding balance. If the student does not pay, the college should take the usual measures to enforce payment.

If it becomes necessary to refer the account to the Central Collection Agency, the presumption is that collection action should be directed against the student; the Central Collection Agency should be instructed accordingly.

SAP-4: ALLOWANCE FOR DOUBTFUL ACCOUNTS

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: July 1, 2001

REVISED DATE: July 8, 2010

PURPOSE:

To provide guidance for computing the allowance for doubtful accounts receivable for financial statement presentation. The objective is to ensure that receivable allowances are computed in a reasonable and consistent manner throughout the Colorado Community College System.

PROCEDURE:

- A. Method – The Colleges and System will use the percent of ending receivable method to determine the allowance for doubtful accounts.
- B. Historical Default Rates will be used – Each college shall determine an allowance for doubtful accounts based on the historical rate(s) of default for the college. The historical collection rate for each account (colleges may have more than one customer account at the collection agency) will be calculated using the total dollars collected by the collection agency divided by the net of the total dollars assigned to the collection agency less the total dollars of cancelled accounts. In the case where a college has multiple customer accounts with the collection agency, the weighted average of all accounts should be used in computing the final historical default rate for the college as a whole. Example

Topic	#	Note	Customer Acct #1	Customer Acct #2	Customer Acct #3	Totals
Collected	A	-	280,000	165,000	10,000	455,000
Assigned	B	-	825,000	382,000	12,000	1,219,000
Cancelled	C	-	75,000	50,000	0	125,000
Net Assigned	D	B – C	750,000	332,000	12,000	1,094,000
Weight	E	D / Total Net Assigned	69%	30%	1%	100%
Collection Percentage	F	A / D	37%	50%	83%	42%
Weighted Avg. Collected	G	E*F	26%	15%	1%	42%*

*Use the inverse of this as your calculation percentage (1 – 42% = 58% uncollectible)

Please note that you must use the collection statistics as of May 31st on the account balances as of June 30th of each fiscal year.

- C. The Collection Agency is no longer allowed to infer the collection fee into the principal amount of the debt. Therefore, any additional fees assessed by the collection agency are the receivable of the collection agency and should not be included with the college's accounts receivable (principal) balance.

ACCOUNTS TO BE EXCLUDED FROM CALCULATION:

- A. Sponsored Student (3rd Party) Receivables are usually 100% collectible. If the college becomes aware of a 3rd party that will not pay a student account receivable as expected, the 3rd party charges will be reversed to the student's account and become a regular student account receivable.
- B. Receivables which relate to subsequent year revenues will not be included in the allowance for doubtful accounts calculation. The most common example is the portion of summer session receivables attributable to unearned or deferred summer session revenue. Colleges calculate a percentage of Summer Revenues to determine year end revenue deferrals (see SAP-19). This percentage shall be used to determine the amount of summer receivables that will be included in the allowance for doubtful accounts.
- C. Restricted Receivables will not be included in the allowance calculation unless colleges become aware of specific circumstances or facts which would give it reason to believe an account is uncollectible. In some cases the Collection Agency will recommend write-offs. However, the schools can request write-offs from the State Controller's Office via the Collection Agency. All accounts that are written off will be included in the cancelled statistics from the Collection Agency.

EXAMPLE OF COMPUTATION OF ALLOWANCE:

- A. A college has a total of \$250,000 of receivables as of 6/30/XX. Assume \$90,000 of this was for the current summer term and the summer revenue split is 42% (current fiscal year) and 58% (subsequent fiscal year). Sponsored (3rd Party) student receivables account for \$60,000 of the receivables from prior terms. Let's also assume that the college has grant receivables of \$15,000 of which \$5,000 was submitted to the State Controller's Office for write-off but has not been approved as of the date of the collection. It has been determined from the Collection Agency statistics that the historical rate of collection on accounts submitted is 40%.

a. Total A/R at June 20 20XX	\$250,000
b. Less: Current Summer (deferred revenue) A/R	(52,200)
c. Less: Sponsored Accounts	(60,000)
d. Less: Restricted Fund Receivables	<u>(15,000)</u>
Subtotal – Base amount for allowance	\$122,800
e. CCS Historical default rate (1 minus .57)	<u>43%</u>
f. Estimated amount uncollected	\$52,804
g. Plus Restricted Fund accounts sent to SCO for write-off	<u>\$5,000</u>
h. Total Allowance at June 30, 20XX	\$57,804
i. Net Accounts Receivable at 6/30/XX	<u>\$192,196</u>

COMPUTATION AND ACCOUNTING ENTRIES:

This section provides guidance on recording the initial bad debt expense, write-off of bad debt, CCS payments received for accounts not written off, and for payment of accounts that have been written off.

- A. Payments received on accounts that have previously been referred to the Collection Agency should be recorded as a credit to accounts receivable. As of August 2007, CCS calculates the commission on all accounts and adds that to the amount due. Colleges should no longer add a collection fee to the student's account.
- B. Accounts at the collection agency should be analyzed yearly to consider writing off accounts that the college is reasonably assured will not be collected (refer to SAP – 5).
- C. Payments received on accounts that have been previously written off should be re-established on the student's account before applying payment.
- D. Bad debt expense is the year-end adjustment needed to bring the allowance for doubtful accounts current with the new computed amount.

Examples of Accounting Entries:

The beginning balance in a college's allowance account is \$60,000. During the year the college received payments totaling \$2,000 on accounts held at the collection agency. Also during the year the college obtained permission to write-off \$10,000 of old accounts. Also, the college has received a payment of \$1,000 on an account that had previously been written off. Assume the college has determined their allowance account ending balance should be \$57,804. The total bad debt for the year will be \$6,804. Computed as follows:

Description	COFRS Acct Code	Allowanc e Account	Other Accounts
Beginning Balance – Allowance Acct	-	\$(60,000)	-
a) To record \$2,000 payment received on accounts at Collection Agency:	-	-	-
Dr. Cash	1100	-	2,000
Cr. A/R Students	1332	-	(2,000)
b) To record \$10,000 write-off:	-	-	-
Dr. Allowance for Bad Debts	1335	10,000	-
Cr. A/R Students	1332	-	(10,000)
c) To record \$1,000 payment on a student's account that was previously written off:	-	-	-
Dr. A/R Students	1332	-	1,000
Cr. Allowance for Bad Debt	1335	(1,000)	-
Dr. Cash	1100	-	1,000
Cr. A/R Students	1332	-	(1,000)
Unadjusted balance – Allowance account	-	(51,000)	-
d) To adjust allowance at year end and record bad debt expense:	-	-	-
Dr. Bad Debt Expense	4120	-	6,804
Cr. Allowance for Bad Debt	1335	(6,804)	-
Adjusted balance – Allowance account	-	\$(57,804)	-

SAP-5: ACCOUNTS RECEIVABLE WRITE-OFF POLICY

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: May 1, 2002

PURPOSE:

Establish an accounts receivable write-off policy that is consistently applied across the Colorado Community College and Occupational Education System in accordance with state fiscal rules.

PROCEDURE:

- A. A college should not write off individual accounts until a reasonable period of time has elapsed and the Central Collection Services determines the debt to be uncollectible. Central Collection Services (CCS) will report monthly the status of all individual accounts referred to their agency. Uncollectible accounts are reported via the Recommendation for Write-off Report on a monthly basis. Other monthly reports from CCS. CCS will provide a list of these reports upon request.
- B. Colleges must request approval to write off accounts from (CCS). For accounts of \$50 or less only a notice need be sent to CCS. For accounts greater than \$50.00 approval by CCS with the consent of the State Controller's Office and the State Treasurer is required. All requests must include the following information:
 - The number of accounts to be written off.
 - The total dollar amount to be written off.
 - For each account, list the debtor, amount of the account, and a brief statement of why the agency believes it is uncollectible.
 - A statement by the responsible individual in the agency that, in his or her opinion, the accounts are uncollectible.
- C. Individual accounts should be written off the FRS and BRS at the same time. Prior to writing off an individual account, a detailed BRS record should be produced on hardcopy or other form for storage.
- D. Refer to DOPA Administrative Rule titled Accounts Receivable Collections, section 1.61 for complete rules and directions.

**SAP-6: ACCOUNTING FOR MULTI-YEAR OPERATING LEASES WITH
SCHEDULED RENT INCREASES - Deleted**

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: June 2002 - **DELETED**

SAP-7: VOIDED STATE WARRANTS - Deleted

DATE APPROVED BY CONTROLLERS' GROUP: October 6, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: June 2002 - **DELETED**

SAP-8: ACCOUNTING FOR CENTRALIZED FUNCTIONS – Deleted

DATE APPROVED BY CONTROLLERS' GROUP: February 2, 2000

EFFECTIVE DATE: July 1, 1999

REVISED DATE: June 2002 - **DELETED**

SAP-9: ACCOUNTING FOR FIXED PRICE CONTRACTS

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: April 18, 2012

PURPOSE:

Colleges frequently enter into contracts with outside parties whereby the college provides certain services in return for a stated amount of payment. Such contracts are generally referred to as fixed price contracts. This procedure discusses the accounting for such transactions.

DEFINITION OF FIXED PRICE CONTRACT:

In a fixed price contract situation, the college is not required to use the monies paid to it for specific purposes designated by the contractor. The college is not required to account for the costs of the services provided. The college is not required to refund any excess of the contract amount over the cost of the services contracted for; it can make a profit on a fixed price contract. The only requirement imposed on the college is that it provides the services called for by the contract. These contracts are not restricted funds.

The format of fixed price contracts varies. The contract might be written for an indefinite amount, basing the payment on the number of students served or even the number of students who achieve certain goals. The identifying attribute of a fixed price contract is that the price is dependent upon the services provided by the college, rather than on the cost of those services.

PROCEDURE:

Fixed price contracts should be accounted for as Grant and Contract revenue within the college's unrestricted funds or the state appropriated fund depending on the type of services provided. Fixed price contracts should not be reported in the restricted fund. Typically fixed price contracts would be reported in the unrestricted funds but if the service is being performed by an auxiliary fund then the revenue would be recorded in the auxiliary fund (this would not be common). If activity is considered auxiliary, it must be part of a current auxiliary operation and if the fixed price contract is tracked through a separate org, the org must be mapped to the existing fund of that auxiliary. A fixed price contract does not in and of itself constitute a new auxiliary activity on its own.

Depending on the type of outside party the college is contracting with, revenue from fixed price contracts should be classified as either federal, state, local or private contracts. For example, revenue from fixed price contracts with local school districts should be classified as local contracts within the state appropriated fund as a fixed price contract. If, on the other hand, the school district pays the college for the cost of tuition and the college in turn pays the school district for the cost of instruction, this would not be considered a fixed price contract.

Fixed Price Contract General Fund Org Ranges:

Fund	Prog	Org Ranges		12000-12899 - General/Departmental Instruction Expense (and Revenue in some instances)	Ref
011010	1000	X12060	X12074	Instructional Federal fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	1000	X12075	X12089	Instructional State fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	1000	X12090	X12104	Instructional Local fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	1000	X12105	X12119	Instructional Private fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
13 - Public Service					
011010	3000	X13060	X13074	Public Service Federal fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	3000	X13075	X13089	Public Service State fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	3000	X13090	X13104	Public Service Local fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	3000	X13105	X13119	Public Service Private fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
14 - Academic Support					
Fund	Prog	Org Ranges			
011010	4000	X14202	X14216	Academic Support Federal fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	4000	X14217	X14231	Academic Support State fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	4000	X14232	X14246	Academic Support Local fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	4000	X14247	X14261	Academic Support Private fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
15 - Student Services					
Fund	Prog	Org Ranges			
011010	5000	X15283	X15297	Student Services Federal fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	5000	X15298	X15312	Student Services State fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	5000	X15313	X15327	Student Services Local fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	5000	X15328	X15342	Student Services Private fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
16 - Institutional Support					
Fund	Prog	Org Ranges			
011010	6000	X16486	X16500	Institutional Support Federal fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	6000	X16501	X16515	Institutional Support State fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	6000	X16516	X16530	Institutional Support Local fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	6000	X16531	X16545	Institutional Support Private fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
17 - Operations & Maintenance of Plant					
Fund	Prog	Org Ranges			
011010	7000	X17362	X17376	Operation and Maintenance of Plant Federal fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	7000	X17377	X17391	Operation and Maintenance of Plant State fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	7000	X17392	X17406	Operation and Maintenance of Plant Local fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9
011010	7000	X17407	X17421	Operation and Maintenance of Plant Private fixed price contracts REVENUE and EXPENSE (business exchange of services/vendor)	SAP 9

SAP-10: INTERNAL CONTROLS OVER CASH RECEIPTS

DATE APPROVED BY CONTROLLERS' GROUP: February 2, 2000

EFFECTIVE DATE: July 1, 1999

REVISED DATE: May 1, 2002

REVISED DATE: September 21, 2011 (to be implemented no later than July 1, 2012)

PURPOSE:

To provide guidance over internal controls related to the receipt of cash and non-cash payments.

APPENDICES:

Appendix 1 - Cash Receipts Control Checklist

Appendix 2 - Cash Receipts Controls Definitions

Appendix 3 - Illustrative Cash Handling Procedures (Departments outside of the Cashier's Office)

Appendix 4 - Illustrative Cash Handling Authorization Form

Appendix 5 - Illustrative Fundraising Approval Form

PROCEDURE:

The following framework **must** be in place and operating effectively at each location where cash (including cash, checks, and credit card payments) is accepted. In respect to the receipt of payments only, all locations that receive payments shall be subject to the procedures and guidelines established by the College Controller or Business Officer and in compliance with this document, System Accounting Procedure 10 (SAP10).

1. **Written Policies and Procedures** - Policies and procedures for cash handling and controls must be clearly documented in writing and communicated for each location that accepts cash. Processes must be designed to include active participation by the Controller's office in monitoring the activities for each location.
2. **Cross Training** - Staff is properly cross trained so there is appropriate coverage in the Cashier's Office at all times.
3. **Adequate Recordkeeping** –For payments to Student Accounts: Cashiers shall post student payments directly to students' accounts using detail codes (pre-CASHNet) or using CASHNet feeds to students' accounts using detail codes. Students must always receive a receipt, whether a manual, pre-numbered receipt or a printout of the Banner screenshot showing the payment.

All deposits, such as those from departments that are received by the Cashier's Office shall be recorded in the system at the time of receipt. If this is not possible due to limitations in staffing or Cashier's Office hours, a mechanism to safeguard deposits, such as a lockbox, should be implemented. These deposits would then be accessed by the Cashier's Office under dual custody and subsequently entered into Banner.

If manual pre-numbered receipts are used, the pre-numbered slips must be logged and tracked so that gaps in numbering can be investigated as part of an independent check performed periodically.

The independent check consists of the following:

1. Ensuring all checks are made payable to the college.
2. Cash on hand is verified and overages and shortages investigated and documented. Thresholds for acceptable amounts of cash overages or shortages should be established by each college and should also consider the pattern of smaller amounts over time.
3. Batches are reconciled to the bank statement.

4. Segregation of Duties - Different employees must be responsible for each of the following tasks:

The employee who:	Cannot also:
Receives payments or has sole custody (physical access) to cash	Have access to create adjusting entries to cash in the general ledger
Receives payments or has sole custody (physical access) to cash	Have access to adjust errors or make corrections to cash or accounts receivable balances
	*If unable to comply see mitigating control below table
Receives payments or has sole custody (physical access) to cash	Be responsible for balancing cash receipts reports (such as TGACREV) to the general ledger
Receives payments or has sole custody (physical access) to cash	Be responsible for verifying that the amounts recorded by the bank agree to the deposit slips retained at the college, and resolving any discrepancies between the two (such as deposit errors)
Receives payments or has sole custody (physical access) to cash	Reconcile among COFRS, the bank statement and the general ledger
Receives payments or has sole custody (physical access) to cash	Have access to alter invoices or prevent an invoice from being mailed
Prepares the deposit for transmittal to the bank in sole custody	Verify that all deposits were received by the bank or verify that the amounts recorded by the bank agree to the deposit slips
Prepares the deposit for transmittal to the bank in sole custody	Have access to create adjusting entries to cash in the general ledger
Prepares the deposit for transmittal to the bank in sole custody	Have access to create manual adjustments to cash or accounts receivable balances
Prepares the deposit for transmittal to the bank in sole custody	Reconcile among COFRS, the bank statement and the general ledger
Has access to adjust student accounts	Make any adjustments or record any payments to their own account, if they are also a student
Has access to adjust student accounts	Reconcile among COFRS, the bank statement and the general ledger

Cashiers must be restricted from manually adjusting the student accounts receivable records beyond the basic application of cash payments. If system access cannot restrict this activity, mitigating controls must be in place. Diagnostic reports will be reviewed by an individual who does not have sole custody access to cash or ability to make adjustments to student accounts within three business days of the activity. These reports will be printed and the reviewer will document review with a signature and date. Individuals in departments other than the Cashier's Office receiving student payments or other cash transactions must have "inquiry only" access to Banner Finance, with the exception of P-Card reallocation. This restriction must be reflected in access restrictions available in Banner or CASHNet.

The bank deposit must be prepared by someone other than an employee with ability to make a journal entry or to perform cash reconciliations. Reports from source data, such as the Banner reports used to balance and close cash deposits, TGACREV or TGRCSHR, must be compared with bank deposit slips and the deposit per the bank statements by someone who does not accept payments or record them to student accounts.

Supervisory review should be required for any adjustment to a student's account including third party payment transfers. Until a system control can be implemented, a mitigating control would be that the supervisor reviews all transactions reducing a student's account balance and transfers/adjustments to third party payments. This should be evidenced by the supervisor's sign off indicating the transaction was reviewed. Cashiers should always retain support for cash refunds at the cashier's window, such as a student's signature indicating they received a refund. Such documentation should be retained in the cashier's batch.

5. **Dual Custody** - Counts of cash drawers, deposits, and cash in the safe are always conducted with two persons present; each performing a separate count, with dual signatures denoting approval of the final count by both persons. Physical access to the safe shall be possible only in dual custody by at least two employees.

At the time the deposits are received at the Cashier's Office from other departments, the amount of the deposit must be verified by an employee of the Cashier's Office in the presence of the individual making the deposit. The Cashier's Office provides a receipt to the individual department making a deposit. An allowable exception to verifying the deposit at the time of receipt is to have a locked drop box that would be opened in dual custody according to a pre-defined timeline. The only exception to dual custody is the situation wherein one employee is responsible for the entire amount of cash on hand at all times. In this case as long as that employee is the only employee who has physical access to the cash, and other monitoring controls are in place, dual custody is not required.

In order to conduct a surprise count, transfer cash to another employee, or for activities otherwise deemed necessary by the Controller or Business Officer, cash assigned to one individual must be accessible to management, but only through dual custody. For example, the cash may be assigned to the Cosmetology Director, and the Controller may have the combination to the safe, but it would also require the director of facilities to open the office. In that case, the cash should be counted in the presence of both individuals and signatures evidencing the count while in dual custody should be documented.

6. **Accountability** - Accountability involves the delegation of authority to qualified persons to initiate, approve, process and review business transactions and the holding of those persons responsible for their actions. Cashiers must be accountable for the cash in their custody, while supervisors must be accountable for the overall safeguarding of cash in the department. Cash overages and shortages for each employee must be tracked and included as a component of their performance evaluation.

7. **Safeguarding** - Access to the Cashier's Office must be restricted to personnel necessary to its operation. Cash in the custody of cashiers must not be accessible by others. When not in the custody of the cashiers, cash shall be secured in a safe requiring at least two authorized persons to access. The safe must be secure and the access code or combination shall be changed frequently. The only exceptions allowable for accessing the safe outside of dual custody are the situations wherein one employee is responsible for all the cash in the safe and no other person can access the safe (except through dual custody, as previously noted under dual custody), or the safe is fitted with compartments or drawers that are locked and accessible by one person.

When deposits are transferred via courier, a locked bag should be used. The college shall record information regarding the contents of each bag released to the courier sufficient to readily determine the contents should the bag be lost by the courier or the bank. The chain of custody should be documented by maintaining a log which is signed by the courier who receives the bag and the college employee who releases the bag to the courier. Each deposit should be traced to the bank statement to ensure it is received by the bank.

8. **Timely Bank Deposits** - Cash collected must be accurately accounted for and deposited within three business days at the bank. Aggregate collections of \$250 or less may be held for up to five business days if approved in advance by the controller. A schedule must be implemented for preparing deposits and pickup by the courier or armored car services. This includes departmental deposits to the Cashier's Office and the cashier's deposit to the bank. A periodic review must be made to ensure adherence to the schedule.
9. **Timely Reconciliation** – All Banner batches and amounts must be accounted for. Total amounts deposited must match the detail batch documentation. The amount of all receipts posted to the accounting system is agreed to the bank statement and to cash receipts documents. Daily deposits must be reconciled with the daily cash activity in Banner. All reconciling items must be documented and explained and must be resolved in a reasonable time frame (e.g., prior to completion of the following month's statement.) The task of reconciling the bank account must be assigned to someone who does not physically handle cash, have physical access to cash in sole custody, or prepare the bank deposits. Monthly bank statements must be reconciled upon receipt from the bank and documentation of reviews by parties outside of the Cashier's Office must be retained. The monthly bank statements must be reconciled to the general ledger and COFRS and reviewed by a supervisor with the review documented by signoff and date.
10. **Independent Review of Accounts Receivable Transactions** - Staff with the ability to post student payments and adjustments to the students' accounts must be properly monitored. Improper adjustments to individual student accounts receivable must be detected and corrected through the periodic review of accounts receivable adjustments. Someone not directly involved in the handling of cash receipts must perform the review. Large or unusual adjustments to student accounts must be investigated, and the resolution documented. Colleges must set dollar limits for review to exclude small items or certain low-risk transaction codes, these limits should consider both the total value of the adjustment, as well as patterns of smaller adjustments over a period of time. It is critical that errors or irregularities involving cash receipts are detected and corrected in a timely manner.
11. **Verification by Other Departments** - Individual departments outside of the Cashier's Office must verify that payments submitted to the Cashier's Office are recorded timely, accurately, and completely to the Banner Finance system, by comparing the receipt received to transactions posted to Banner. This verification should be documented in a way that allows for review by the Controller's Office.
12. **Fundraisers** - Fundraising events at college campuses which result in cash and check deposits require the same safeguarding and dual custody as all other cash receipts activities. Fundraising events must be

approved by the College Controller, CFO or Business Officer, and follow a written process that will enable the college to determine accountability of the cash at all points during the fundraiser.

Appendix 1: Cash Receipts Control Checklist

For each location that receives cash payments/deposits:

- Written Procedures exist for cash handling and cash receipts at all locations that receive cash.
- All cash related positions must have appropriately trained backups, including, but not limited to, cashiering and processing deposits.
- The employee charged with managing the Cashier's Office operations should report to the College Controller, Chief Financial Officer, or Business Officer.
- A single employee is accountable for cash at all times, except when it is in dual custody. Individual cash drawers in the cashier's office are the responsibility of the specific individual assigned to the drawer.
- Employees responsible for cash handling are evaluated on their accuracy. Cash over/short for each employee is tracked and included as a component of the performance evaluation.
- During normal business hours, cash not issued to a cashier in their assigned drawer will be kept in a locked safe that is only accessed under dual security. In no case shall cash receipts be stored overnight in an employee or student's possession. Overnight, cash MUST be secured in a locked safe.
- Cash drawers, if applicable, are appropriately locked and secured during daily activities
- The cash drawers must be counted by the individual assigned to it prior to opening the cash position. Additionally, the cash drawer is counted and balanced daily by the cashier that completed the transactions. Receipts in the cash drawer are reconciled to the activity noted in the point-of-sale system or the revenue/sale log.
- Closing/balancing documentation is reviewed timely in detail by a supervisor or designee, including verifying drawer counts. The review is documented with a signoff and date.
- Surprise counts at all cash locations are performed periodically. When performing a surprise count for departments other than the Cashier's office, a review of the department's process for tracing deposits into the general ledger will also be performed.
- A deposit is prepared for the total daily receipts and delivered to the bank or cashier within three business days. An exception of five business days may be appropriate only if the total amount collected is not in excess of \$250.

- Review of the daily transaction logs, such as the cashier's session report, is performed at least weekly by the cashier's supervisor. The log should be reviewed to determine if an unusual amount of returns/refunds or any deleted transactions occur.
- The bank reconciliation must be performed monthly by someone who has no access to cash, collecting accounts receivable payments or signing authority on the bank account; and is reviewed by someone other than the preparer. Note:
 - Mitigating control over sweep accounts: If the Controller has the ability to generate a transfer from the sweep account but cannot direct the account to which the transfer is made, the Controller may perform or review the reconciliation of the sweep account.
- The Cashier must provide a receipt to the department at the time of deposit. In the case when deposits are obtained through a lock box, a timeframe must be established within which a deposit will be processed and a receipt provided to the department.
- Deposits are traced into the general ledger from deposit receipts to ensure that funds were accurately and timely recorded in the general ledger. This review should be the responsibility of the department depositing the funds, but not the individual who received the monies or prepared the deposit.
- Petty cash and change funds must be approved in advance by the College Controller and State Controller or designee and be operated in accordance with State Fiscal Rule 6-2.
- Fundraisers, just as any other activity where cash is collected, must be approved in advance by the College Controller, Business Officer, or Chief Financial Officer.
- Usernames and Passwords must not be shared by employees.

Appendix 2: Cash Receipts Controls Definitions

Dual Custody –

Instances, whereby a secured item cannot physically be accessed by one person, but that it is safeguarded in such a way as to physically require two individuals to access it.

A common way to ensure dual custody is to provide only part of a safe combination to each employee, preventing either employee from accessing the safe alone. Another way this can be accomplished, though less secure, is to place the safe in a locked room or closet for which there is a unique key, held by an individual who does not have the combination to the safe.

Dual custody also occurs when two individuals are physically present with the cash, such as when a cashier is balancing out the drawer at the end of a shift. Both individuals should be physically present and able to see the cash being counted. Full attention should be placed on the drawer being counted as both individuals are equally responsible for the cash while it remains in joint custody.

Reconciliation –

Comparing two separate sources of data, documenting their differences and following up on the differences to ensure they were appropriate. Any reconciling items should be followed through until they are fully resolved, and the resolution should be documented.

Bank Reconciliation –

Comparing the general ledger to the bank statements, identifying reconciling items and following up on those items to ensure appropriateness.

Review –

Evaluation of a document to ensure it is sufficient and to determine whether or not it is reasonable.

During a review, it is expected that the person reviewing the work is not the same person who prepared it. The reviewer should sign off on the document, including the date reviewed. The reviewer is responsible for the accuracy of the document reviewed.

Receipts –

Any form or exchange of cash, check, credit card or money order. Cash, while being the most liquid, is not the only form of payment that should be protected. Checks and credit card information should be maintained under appropriate controls in order to protect against identity theft and as required by law. For the purposes of receiving payments or donations and ensuring revenues are recorded accurately, all forms of payment should be subject to the same controls.

Fundraiser –

Any event which raises money for any group related to the campus for which a college employee is responsible. If a college employee is involved in organizing an event, storing the money received or spending the money received, the monies must be accounted for in accordance with State Fiscal Rules.

Petty Cash / Change Fund –

Cash held outside the cashier's office in order to facilitate business operations, purchase small business items or make change. These funds should be extremely limited. All should be processed in accordance with written guidelines established by each college, in accordance with the State Fiscal Rules.

Appendix 3: Cash Handling Procedures

The following are the cash control procedures expected to be followed for all locations that receive deposits/payments of cash at [Name of College].

1. All departments responsible for handling cash (receipts and deposits) must first receive authorization from the College Controller. The Controller or designee and the Org Code Owner will both sign the Cash Handling Authorization form. The form documents the authorization for the department to accept payments and indicates that they have read, understand, and agree to follow college guidelines for handling cash and receiving payments. These guidelines include both these Cash Handling Procedures, as well as the State Fiscal Rules.
2. All personnel responsible for handling cash must submit the cash handling authorization form to the Controller's Office.
3. All deposits (*cash, checks, credit card payments*) must be physically secured at all times. These deposits must be kept in a secured area such as a safe or lock box that is secured and opened only under dual custody.
4. Deposits must be made within three (3) business days.
5. All checks must be endorsed upon receipt. (Endorsement stamps can be obtained from the cashier's office)
6. Each deposit to the cashier's office must be accompanied by a completed deposit verification form. (A sample of this form is attached)
7. The controller's office will perform periodic audits of the deposits to ensure the cash control procedures are followed.
8. All credit card charges should be processed by the cashier's office unless specifically approved by the controller's office
9. Deposits must be reviewed in the Banner Finance System to ensure the deposit is posted timely and for the correct amount.
10. A copy of all checks, revenue log, or pre-numbered manual receipts will be retained by your department for audit evidence.
11. Deposits are maintained under dual custody from receipt until they are deposited at the cashier's office.
12. Petty cash funds are allowed to be used for payment of incidental expenses of a nominal amount such as postage, parking, or expenses not otherwise appropriately billed by invoice according to the State Fiscal Rule 6-1.
13. Change funds shall not be used for expenditures of any kind and only be used to make change when cash receipts are accepted from the public per State Fiscal Rule 6-1.

Personnel Signature

Controller Signature

[Appendix 4: Cash Handling Authorization Form](#)

DATE: _____

Note: In addition to this internal college authorization, the College Controller must also complete Exhibit R as required by the State Controller's Fiscal Procedures Manual, which lists all authorized Petty Cash and Change Funds.

[State Controller's Office-Fiscal Procedures-Exhibit List-R](#)

Authorization is granted for the following individual to accept cash, check or credit card payment on behalf of [Name of Department].

Name: _____ Telephone: _____

Department: _____

S# _____ Office Location: Bldg: _____ Room: _____

Org Code: _____ Org Code: _____ Org _____

Code: _____

Date Authorization to Begin: _____

Will payments be accepted outside office location? YES ___ NO ___

If yes, please explain circumstances: _____

By signing this form, I certify that I have read the attached Cash Handling Procedures and agree to adhere to those procedures.

Print Name: _____

Signed: _____

Org Code Owner: _____

Print Name: _____

Director or Dean: _____

Date: _____

Date: _____

Date Authorization Ends: _____

Please remove the authorization for the above named person because:

Org Code Owner: _____

Controller: _____

Date: _____

- All receipts are to be deposited with the Cashier's Office within three (3) business days. Cash on hand will not be held and used for expenses.
- The funds will be identified to the Cashier as receipts related to fundraising.
- The receipts will be maintained under the appropriate controls as denoted in college procedure and System Accounting Procedure 10.
- All expenses or transfers of these funds must be in accordance with Board and System policies, State and Federal laws and regulations, as well as the specific purpose for which the monies were raised.
- Changes in Fundraising Coordinators will be immediately reported to the Controller/Business Officer.

All employees are required to report any instances of fiscal misconduct either to an immediate supervisor, the controller, or the Office of the System Vice President for Finance and Administration. In any situation where an employee is uncomfortable with this reporting structure, employees may report incidents to the Internal Audit department, Human Resources, or an anonymous call may be placed to the Hotline.

SAP-11: PROCEDURE FOR FEDERAL CASH DRAWS

DATE APPROVED BY CONTROLLERS' GROUP: October 6, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: May 1, 2002

PURPOSE:

This procedure is designed to provide guidance for the timely draw down of federal funds and to assist the colleges in avoiding a deficit or surplus of fund cash.

PROCEDURE:

All institutions shall draw down federal cash, using the procedure and software suggested by the granting agency, via electronic fund transfer (EFT) or Fed Wire. Actual or estimated cash requirements shall be calculated based on documents such as:

1. Payroll listings
2. SBA 590
3. General ledger or sub ledger accounts
4. Accounts payable feeds
5. Journal entries
6. Mechanical entries
7. Funds received but not yet recorded

Documentation shall be maintained to support all amounts of cash requested. All of the regulations from the granting agency shall be followed with respect to cash balances, the timelines of expending the funds, and return policies if a positive balance is maintained for more than three (3) working days.

A federal cash analysis shall be prepared on a periodic basis to reconcile with the data in the granting agency system.

SAP-12: OVERHEAD FOR AUXILIARY FUND ACCOUNTS

DATE APPROVED BY CONTROLLERS' GROUP: October 6, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: July 1, 2001

REVISED DATE: May 1, 2002

REVISED DATE: December 12, 2011

PURPOSE:

To provide guidance regarding recovery of administrative costs from auxiliary operations.

PROCEDURE:

Auxiliary overhead, including rent charged to auxiliary activities, is purely an internal allocation and no revenue may be generated by its application. Periodically the college should review the operations of its various auxiliary fund accounts to ensure that all direct costs of operations are charged to the auxiliary fund and reasonable allocation of administrative costs are assessed to each account.

Note: If the Colorado Community College System does not maintain its status as an Enterprise under the TABOR legislation, the College should reassess the need to charge auxiliary overhead to any TABOR enterprise designated auxiliary activity, in order to ensure that the activity is accounted for as a stand-alone business and includes all costs associated with the activity.

The amount of auxiliary overhead charged should be assessed quarterly based on a percentage of direct operating expenditures. The College shall determine the appropriate percentage that sufficiently covers administrative overhead cost, with a minimum charge of 6% and a maximum charge of 10%. If 10% does not sufficiently cover the costs, the controller should document the methodology used to determine the amount of the assessment and charge the auxiliary account appropriately. Any amounts higher than 10% should be analyzed annually, documented, and approved by the College's Finance Officer. In some cases it may be more appropriate to use revenue (rather than expenses) as the basis for applying the overhead percentage. If so, the basis for this must be well documented.

When calculating the overhead charged, the following should not be included in the direct operating expenditures: rent (internal or external), compensated absence expense, bad debt expense, audit expense, internal or external transfers, or previous administrative overhead cost charges.

The charges to the auxiliary activity for administrative overhead (debit to Banner account 720800 Indirect Admin Exp Contra -Aux) should be offset by a credit to Banner org 116481 Admin Cost Recovery from Aux, Banner account 720800 which feeds to the fund and NACUBO category in which the supporting administrative costs originally incurred. This maps to the object of expenditure code 9500 on COFRS, per the COFRS Accounting Model MX – Administrative Service Recharge for General & Administrative (G & A) Costs.

In addition, rent may be assessed separately from the administrative costs above. Both the rental charge to auxiliaries and the revenue income in the general fund should both be posted to Account Code 721100 Auxiliary Rent, so that the revenue and expense will be eliminated for financial statement presentation.

SAP-13: FINANCIAL STATEMENTS CHECKLIST

DATE APPROVED BY CONTROLLERS' GROUP: October 6, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: In Progress

PURPOSE:

To provide guidance for the campus controllers while preparing financial statements, notes and exhibits and to ensure consistency at the System level of reporting.

PROCEDURE:

The following checklist is to be completed and submitted to CC of C and the auditors with the final financial packet.

SAP-14: COMPENSATED ABSENCES LIABILITIES

DATE APPROVED BY CONTROLLERS' GROUP: March 17, 2011

EFFECTIVE DATE: July 1, 1999

REVISED DATE: March 17, 2011

REVISED DATE: December 12, 2011

PURPOSE:

To establish a methodology to calculate the compensated absences liabilities at year-end. This SAP should be used in conjunction with the Fiscal Procedures Manual (closing instructions) issued by the State Controller's Office and the Compensated Absences Calculation Spreadsheet instructions issued by the CCCS System Office.

PROCEDURE:

1. Obtain an accumulated leave balance report for all employees from the Human Resources Department (closing instructions allow the usage of data from period 9, 10 or 11 for computation. CCCS has determined as a system, we will be using the data from period 10. Adjustment may be needed if the amount recorded is materially different from period 12 either as an individual agency or system wide).
2. Note that the calculation of compensated absences liabilities for exempt and classified staff are based on the following accrual policies [SBCCOE Policy-Employee Benefits BP 3-60](#) and [DPA Human Resources-Technical Assistance - Time Off](#) respectively, and differ as follows:

Compensated Absences Calculation Spreadsheet Instructions

Summary of leave policy	Annual leave monthly accrual	Annual leave max accrual	Annual leave max payout	Sick leave monthly accrual	Sick leave max accrual	Sick leave max payout
Exempt hired before July 1, 1989	15 hours	360	360	10	None	25% of balance
Exempt hired after July 1, 1989	15 hours	360	360	10	None	25% of balance or 240 hours (whichever is less)
Classified hired before July 1,1988	1-5 years 8 hours 5-10 years 10 hours 10-15 years 12 hours 15 up 14 hours	1-5 years 192 hours 5-10 years 240 hours 10-15 years 288 hours 15 up 336 hours	1-5 years 192 hours 5-10 years 240 hours 10-15 years 288 hours 15 up 336 hours	6.66	Balance as of 6/30/1988 plus 360 hours	25% of max accrual
Classified hired after July 1, 1988	1-5 years 8 hours 5-10 years 10 hours 10-15 years 12 hours 15 up 14 hours	1-5 years 192 hours 5-10 years 240 hours 10-15 years 288 hours 15 up 336 hours	1-5 years 192 hours 5-10 years 240 hours 10-15 years 288 hours 15 up 336 hours	6.66	360	25% of balance or 90 hours (whichever is less)
Faculty hired before July 1, 1989	None	None	None	90 hours per year or 10 hours per month based on length of contract (whichever is greater)	None	25% of balance
Faculty hired after July 1, 1989	None	None	None	90 hours per year or 10 hours per month based on length of contract (whichever is greater)	None	25% of balance or 240 hours (whichever is less)

Each workbook has six tabs as follows;

1. Summary Totals – this will summarize your total annual and sick leave calculated amounts for classified, faculty and exempt employees. This will also summarize and calculate your current and long-term portions (which are calculated in total – not by employee type).
2. Payouts – this is the data entry worksheet you will use to drop in the last three year’s payouts for sick and annual leave, by employee. This is used to calculate your current portion. At the bottom of the spreadsheet is the three year rolling average of the payouts which is used as your current portion.
3. Faculty
4. Classified
5. Exempt

Below is a summarized key to each column in the spreadsheets (except the payout spreadsheet – please see description below)

COLUMN	FACULTY	CLASSIFIED	EXEMPT
A	Employee First name entered by school from extract	Employee First name entered by school from extract	Employee First name entered by school from extract
B	Employee last name entered by school from extract	Employee last name entered by school from extract	Employee last name entered by school from extract
C	Position # entered by school from extract. This is not a required field.	Position # entered by school from extract. This is not a required field.	Position # entered by school from extract. This is not a required field.
D	First 2 digits of fund entered by school from extract– this is the fund where the employee is charged. If you enter just the first two digits then you can sort by this column for those schools that book their entry by fund type. This is not a required field.	First 2 digits of fund entered by school from extract– this is the fund where the employee is charged. If you enter just the first two digits then you can sort by this column for those schools that book their entry by fund type. This is not a required field.	First 2 digits of fund entered by school from extract– this is the fund where the employee is charged. If you enter just the first two digits then you can sort by this column for those schools that book their entry by fund type. This is not a required field.
E	Last 4 digits of fund entered by school from extract. This is the fund where the employee is charged. This is not a required field.	Last 4 digits of fund entered by school from extract. This is the fund where the employee is charged. This is not a required field.	Last 4 digits of fund entered by school from extract. This is the fund where the employee is charged. This is not a required field.
F	Org code entered by school from extract. This is the org where the employee is charged. This is not a required field.	Org code entered by school from extract. This is the org where the employee is charged. This is not a required field.	Org code entered by school from extract. This is the org where the employee is charged. This is not a required field.
G	Account code entered by school from extract. This is not a required field.	Account code entered by school from extract. This is not a required field.	Account code entered by school from extract. This is not a required field.
H	Program code entered by school from extract. This is where the employee is charged. You can sort on this column to determine your entry by NACUBO category.	Program code entered by school from extract. This is where the employee is charged. You can sort on this column to determine your entry by NACUBO category.	Program code entered by school from extract. This is where the employee is charged. You can sort on this column to determine your entry by NACUBO category.
I	Employee type C (classified), E (exempt), F (Faculty)	Employee type C (classified), E (exempt), F (Faculty)	Employee type C (classified), E (exempt), F (Faculty)
J	Date of Hire entered by school. This should be the adjusted service date from extract.	Date of Hire entered by school. This should be the adjusted service date from extract.	Date of Hire entered by school. This should be the adjusted service date from extract.
K	Hourly Rate – entered by school from extract.	Hourly Rate – entered by school from extract.	Hourly Rate – entered by school from extract.
L	# months covered by contract - entered by school as the number of months the contract covers NOT the number of months over which the employee will be paid. Generally this will be 9 or 12.	Beginning annual leave accrual – entered by school as ending balance from PY calculation (this should match PY column titled “Max annual allowed adj for FOAP”.) If you have employees that were broken down by FOAP last year and their ending balances were split by their	Beginning annual leave accrual – entered by school as ending balance from PY calculation (this should match PY column titled “Max annual allowed adj for FOAP”.) If you have employees that were broken down by FOAP last year and their ending balances were split by their percentage you MUST enter them the same way here.

COLUMN	FACULTY	CLASSIFIED	EXEMPT
		percentage you MUST enter them the same way here. This must be the beginning leave balance charged to that FOAP.	This must be the beginning leave balance charged to that FOAP.
M	Beginning sick leave accrual – entered by school as ending balance from PY calculation (this should match PY column titled “Max sick leave payout allowed adj for FOAP”). If you have employees that were broken down by FOAP last year and their ending balances were split by their percentage you MUST enter them the same way here. For split employees this must be the beginning leave balance charged to that FOAP.	Monthly annual leave accrual – DO NOT ENTER this will calculate based on the leave policy.	Monthly annual leave accrual – DO NOT ENTER this will calculate based on the leave policy.
N	Monthly sick leave accrual – DO NOT ENTER this will calculate based on the policy	Exceptions entered by school. This will be the number of monthly annual leave hours accrued if different than column O due to separate arrangements, break in service, etc. You must provide an explanation for the exception at the bottom of the spreadsheet.	Exceptions entered by school. This will be the number of monthly annual leave hours accrued if different than column O due to separate arrangements, break in service, etc. You must provide an explanation for the exception at the bottom of the spreadsheet.
O	Exceptions entered by school. This will be the number of monthly sick leave hours accrued if different than column P due to separate arrangements, break in service, etc. You must provide an explanation for the exception at the bottom of the spreadsheet.	FTE – entered by school this must be between 0 and 1.0 from extract.	FTE – entered by school this must be between 0 and 1.0 from extract.
P	FTE – entered by school this must be between 0 and 1.0 from extract.	% of FOAP – entered by school. If you are splitting an employee by FOAP this will be the percentage worked in each respective FOAP (therefore it should be less than 1.000 per FOAP). This must be between 0 and 1.000. This is obtained from extract.	% of FOAP – entered by school. If you are splitting an employee by FOAP this will be the percentage worked in each respective FOAP (therefore it should be less than 1.000 per FOAP). This must be between 0 and 1.000. This is obtained from extract.
Q	% of FOAP – entered by school. If you are splitting an employee by FOAP this will be the percentage worked in each respective FOAP (therefore it should be less than 1.000 per FOAP). This must be between 0 and 1.000. This is obtained from extract.	Actual monthly annual leave accrual (based on FTE) – DO NOT ENTER this will calculate based on FTE	Actual monthly annual leave accrual (based on FTE) – DO NOT ENTER this will calculate based on FTE

COLUMN	FACULTY	CLASSIFIED	EXEMPT
R	Actual monthly sick leave accrual (based on FTE) – DO NOT ENTER this will calculate based on FTE	Actual monthly annual leave accrual (based on FOAP) – DO NOT ENTER this will calculate the sick leave accrual split by FOAP	Actual monthly annual leave accrual (based on FOAP) – DO NOT ENTER this will calculate the sick leave accrual split by FOAP
S	Actual monthly sick leave accrual (based on FOAP) – DO NOT ENTER this will calculate the sick leave accrual split by FOAP	Increases in annual leave accrual – DO NOT ENTER this will calculate. This is based on hire date.	Increases in annual leave accrual – DO NOT ENTER this will calculate. This is based on hire date.
T	Increases in sick leave accrual – DO NOT ENTER this will calculate.	\$ increase in annual leave accrual – DO NOT ENTER this will calculate. Use this in your footnote disclosure.	\$ increase in annual leave accrual – DO NOT ENTER this will calculate. Use this in your footnote disclosure.
U	\$ increase in sick leave accrual – DO NOT ENTER this will calculate. Use this in your footnote disclosure.	Decreases in annual leave accrual – DO NOT ENTER this will calculate.	Decreases in annual leave accrual – DO NOT ENTER this will calculate.
V	Decreases in sick leave accrual – DO NOT ENTER this will calculate.	\$ Decreases in annual leave accrual – DO NOT ENTER this will calculate. Use this in your footnote disclosure.	\$ Decreases in annual leave accrual – DO NOT ENTER this will calculate. Use this in your footnote disclosure.
W	\$ Decreases in sick leave accrual – DO NOT ENTER this will calculate. Use this in your footnote disclosure.	Annual leave balance as of April 30 entered by school this must be the balance as of April 30 and it must be the balance for the individual (do not adjust for FTE by FOAP). For example, if an employee is split on more than one line their ending balance must be entered as their gross ending balance on both lines (not adjusted for FTE per FOAP). This will be obtained from your current leave system.	Annual leave balance as of April 30 entered by school this must be the balance as of April 30 and it must be the balance for the individual (do not adjust for FTE by FOAP). For example, if an employee is split on more than one line their ending balance must be entered as their gross ending balance on both lines (not adjusted for FTE per FOAP). This will be obtained from your current leave system.
X	Sick leave balance as of April 30 entered by school this must be the balance as of April 30 and it must be the balance for the individual (do not adjust for FTE by FOAP). For example, if an employee is split on more than one line their ending balance must be entered as their gross ending balance on both lines (not adjusted for FTE per FOAP). This will be obtained from your current leave system.	Annualized annual leave balance as of June 30. DO NOT ENTER this will calculate and represents the employee’s balance as of June 30. We are making the assumption here that they have not used any time in the last two months. Even though this may not be true for sake of reasonableness of the calculation this assumption was made.	Annualized annual leave balance as of June 30. DO NOT ENTER this will calculate and represents the employee’s balance as of June 30,. We are making the assumption here that they have not used any time in the last two months. Even though this may not be true for sake of reasonableness of the calculation this assumption was made.
Y	Annualized sick leave balance as of June 30. DO NOT ENTER this will calculate and represents the employee’s balance as of June 30.. We are making the assumption here that they have not used any time in the last two months. Even though this may not be true for	Annualized annual leave balance as of June 30 adj for FTE – DO NOT ENTER this will calculate. This represents the employee’s June 30 assumed balance adjusted for their FTE.	Annual leave balance as of April 30 adj. for FTE – DO NOT ENTER this will calculate. This represents the employee’s April 30 balance adjusted for their FTE (or percentage per FOAP).

COLUMN	FACULTY	CLASSIFIED	EXEMPT
	sake of reasonableness of the calculation this assumption was made.		
Z	Annualized sick leave balance as of June 30 adj for FTE – DO NOT ENTER this will calculate. This represents the employee’s June 30 assumed balance adjusted for their FTE	Annualized annual leave balance as of June 30 adj for FOAP – DO NOT ENTER this will calculate. This represents the employee’s June 30 assumed balance split by % per FOAP.	Annualized annual leave balance as of June 30 adj for FOAP – DO NOT ENTER this will calculate. This represents the employee’s June 30 assumed balance split by % per FOAP.
AA	Annualized sick leave balance as of June 30 adj for FOAP – DO NOT ENTER this will calculate. This represents the employee’s June 30 assumed balance split by % per FOAP.	Max annual accrual based on policy – DO NOT ENTER this will calculate. This represents the max amount an employee can accrue based on their date of hire in accordance with the policy. NOTE: In the formula you will have to update the date EVERY YEAR to be the current year end date.	Max annual payout on policy – DO NOT ENTER this will calculate. This represents the max amount an employee can be paid out based on their date of hire in accordance with the policy.
AB	Max sick leave payout allowed per individual – DO NOT ENTER this will calculate. This is the max payout allowed based on the individual’s total balance for all FOAP strings.	Max annual payout allowed – DO NOT ENTER this will calculate. This is the max payout allowed based on their hire date and their actual balance for an individual for all FOAP strings.	Max annual leave payout allowed adj for FOAP – DO NOT ENTER this will calculate. This is the max payout allowed adj for FTE and split by FOAP percentage. This will be used in your entry and will carryover as the beginning balance for next year.
AC	Max sick leave payout allowed adj for FOAP – DO NOT ENTER this will calculate. This is the max payout allowed adj for FTE and split by FOAP percentage. This will be used in your entry and will carryover as the beginning balance for next year.	Max annual leave payout allowed adj for FOAP – DO NOT ENTER this will calculate. This is the max payout allowed adj for FTE and split by FOAP percentage. This will be used in your entry and will carryover as the beginning balance for next year.	Exceptions entered by school. This must be employee’s total annual leave balance if this is different than column AD because of special arrangements or breaks in service, etc. If you enter an amount in here you MUST document explanation at the bottom of the spreadsheet.
AD	Exceptions entered by school. This must be employee’s total sick leave balance if this is different than column AE because of special arrangements or breaks in service, etc. If you enter an amount in here you MUST document explanation at the bottom of the spreadsheet.	Exceptions entered by school. This must be employee’s total annual leave balance if this is different than column AE because of special arrangements or breaks in service, etc. If you enter an amount in here you MUST document explanation at the bottom of the spreadsheet.	Total annual \$ amount – DO NOT ENTER this will calculate.

COLUMN	FACULTY	CLASSIFIED	EXEMPT
AE	Total Sick \$ amount – DO NOT ENTER this will calculate and is your sick leave liability for each employee. This calculation includes a factor for expected number of retirees which is required by the fiscal procedures manual, Chapter 3, Section 3 and is provided by the SCO each year. The % expected to retire will have to be updated each year.	Total annual \$ amount – DO NOT ENTER this will calculate.	Medicare – DO NOT ENTER this will calculate based on hire date. Per Fiscal procedures manual Chapter 3, Section 3 Medicare is only subject to individuals hired after 3/31/1986. Per Fiscal procedures manual Chapter 3, Section 3 Medicare is calculated on annual leave only.
AF	-	Medicare – DO NOT ENTER this will calculate based on hire date. Per Fiscal procedures manual Chapter 3, Section 3 Medicare is only subject to individuals hired after 3/31/1986. Per Fiscal procedures manual Chapter 3, Section 3 Medicare is calculated on annual leave only.	Exceptions entered by school. This must be the calculation of column AF X the applicable Medicare rate. For example if there is an employee that should be charged Medicare because they had a break in service this would be column R x 1.45%
AG	-	Exceptions entered by school. This must be the calculation of column AH X the applicable Medicare rate. For example if there is an employee that should be charged Medicare because they had a break in service this would be column R x 1.45%	PERA – DO NOT ENTER this will calculate. Per the fiscal procedures manual Chapter 3, Section 3 PERA liability is only calculated on annual leave. This percentage will have to be updated each year.
AH	-	PERA – DO NOT ENTER this will calculate. Per the fiscal procedures manual Chapter 3, Section 3 PERA liability is only calculated on annual leave. This percentage will have to be updated each year.	Total annual leave including Medicare and PERA. DO NOT ENTER this will calculate and is your annual leave liability by employee. This percentage will have to be updated each year.
AI	-	Total annual leave including Medicare and PERA. DO NOT ENTER this will calculate and is your annual leave liability by employee. This percentage will have to be updated each year.	Beginning sick leave accrual – entered by school as ending balance from PY calculation (this should agree to PY column titled “Max sick leave payout allowed adj for FOAP”). If you have employees that were broken down by FOAP last year and their ending balances were split by their percentage you MUST enter them the same way here. For split employees this must be the beginning leave balance charged to that FOAP.

COLUMN	FACULTY	CLASSIFIED	EXEMPT
AJ	-	Beginning sick leave accrual – entered by school as ending balance from PY calculation (this should agree to PY column titled “Max sick leave payout allowed adj for FOAP”). If you have employees that were broken down by FOAP last year and their ending balances were split by their percentage you MUST enter them the same way here. For split employees this must be the beginning leave balance charged to that FOAP.	Monthly sick leave accrual – DO NOT ENTER this will calculate based on the policy
AK	-	Monthly sick leave accrual – DO NOT ENTER this will calculate based on the policy	Exceptions entered by school. This will be the number of monthly sick leave hours accrued if different than column AL due to separate arrangements, break in service, etc. You must provide an explanation for the exception at the bottom of the spreadsheet.
AL	-	Exceptions entered by school. This will be the number of monthly sick leave hours accrued if different than column AM due to separate arrangements, break in service, etc. You must provide an explanation for the exception at the bottom of the spreadsheet.	Actual monthly sick leave accrual – DO NOT ENTER this will calculate based on FTE
AM	-	Actual monthly sick leave accrual (based on FTE) – DO NOT ENTER this will calculate based on FTE.	Actual monthly sick leave accrual (based on FOAP) – DO NOT ENTER this will calculate the sick leave accrual split by FOAP.
AN	-	Actual monthly sick leave accrual (based on FOAP) – DO NOT ENTER this will calculate the sick leave accrual split by FOAP.	Increases in sick leave accrual – DO NOT ENTER this will calculate. This is based on hire date.
AO	-	Increases in sick leave accrual – DO NOT ENTER this will calculate. This is based on hire date.	\$ Increases in sick leave accrual – DO NOT ENTER this will calculate. USE this as increases in your footnote.
AP	-	\$ Increases in sick leave accrual – DO NOT ENTER this will calculate. USE this as increases in your footnote.	Decreases in sick leave accrual – DO NOT ENTER this will calculate.
AQ	-	Decreases in sick leave accrual – DO NOT ENTER this will calculate.	\$ Decreases in sick leave accrual – DO NOT ENTER this will calculate. Use this in your footnote disclosure.

COLUMN	FACULTY	CLASSIFIED	EXEMPT
AR	-	\$ Decreases in sick leave accrual – DO NOT ENTER this will calculate. Use this in your footnote disclosure.	Sick leave balance as of April 30 entered by school this must be the balance as of April 30 and it must be the balance for the individual (do not adjust for FTE by FOAP). For example, if an employee is split on more than one line their ending balance must be entered as their gross ending balance on both lines (not adjusted for FTE per FOAP). This is obtained from the extract.
AS	-	Sick leave balance as of April 30 entered by school this must be the balance as of April 30 and it must be the balance for the individual (do not adjust for FTE by FOAP). For example, if an employee is split on more than one line their ending balance must be entered as their gross ending balance on both lines (not adjusted for FTE per FOAP). This is obtained from the extract.	Annualized sick leave balance as of June 30. DO NOT ENTER this will calculate and represents the employee's balance as of June 30. We are making the assumption here that they have not used any time in the last two months. Even though this may not be true for sake of reasonableness of the calculation this assumption was made.
AT	-	Annualized sick leave balance as of June 30. DO NOT ENTER this will calculate and represents the employee's balance as of June 30. We are making the assumption here that they have not used any time in the last two months. Even though this may not be true for sake of reasonableness of the calculation this assumption was made.	Annualized sick leave balance as of June 30 adj for FTE – DO NOT ENTER this will calculate. This represents the employee's June 30 assumed balance adjusted for their FTE
AU	-	Annualized sick leave balance as of June 30 adj for FTE – DO NOT ENTER this will calculate. This represents the employee's June 30 assumed balance adjusted for their FTE.	Annualized sick leave balance as of June 30 adj for FOAP – DO NOT ENTER this will calculate. This represents the employee's June 30 assumed balance split by % per FOAP.
AV	-	Annualized sick leave balance as of June 30 adj for FOAP – DO NOT ENTER this will calculate. This represents the employee's June 30 assumed balance split by % per FOAP.	Max sick leave payout allowed per individual – DO NOT ENTER this will calculate. This is the max payout allowed based on the individual's total balance for all FOAP strings.
AW	-	Max sick leave payout allowed per individual – DO NOT ENTER this will calculate. This is the max payout allowed based on the individual's total balance for all FOAP strings.	Max sick leave payout allowed adj for FOAP – DO NOT ENTER this will calculate. This is the max payout allowed adj for FTE and split by FOAP percentage. This will be used in your entry and will carryover as the beginning balance for next year.

COLUMN	FACULTY	CLASSIFIED	EXEMPT
AX	-	Max sick leave payout allowed adj for FOAP – DO NOT ENTER this will calculate. This is the max payout allowed adj for FTE and split by FOAP percentage. This will be used in your entry and will carryover as the beginning balance for next year.	Exceptions entered by school. This must be employee’s total sick leave balance if this is different than column AY because of special arrangements or breaks in service, etc. If you enter an amount in here you MUST document explanation at the bottom of the spreadsheet.
AY	-	Exceptions entered by school. This must be employee’s total sick leave balance if this is different than column AZ because of special arrangements or breaks in service, etc. If you enter an amount in here you MUST document explanation at the bottom of the spreadsheet.	Total Sick \$ amount – DO NOT ENTER this will calculate and is your sick leave liability for each employee. This calculation includes a factor for expected number of retirees which is required by the fiscal procedures manual, Chapter 3, Section 3 and is provided by the SCO each year. The % expected to retire will have to be updated each year.
AZ	-	Total Sick \$ amount – DO NOT ENTER this will calculate and is your sick leave liability for each employee. This calculation includes a factor for expected number of retirees which is required by the fiscal procedures manual, Chapter 3, Section 3 and is provided by the SCO each year. The % expected to retire will have to be updated each year.	-

Payouts –

You must complete this spreadsheet by listing all of your payouts for both annual and sick leave for the past three years. This will be your gross pay only and will NOT include benefits. The current portion of compensated absences is the rolling average of payouts over the last three years. Because of this every year you will have to drop off the earliest year and move the prior two years data over so that you can populate the current year. This will automatically populate and calculate your current portion that will show up on the summary sheet.

Other Notes and Assumptions

- A. There are two “sections’ to each tab in the workbook. The top section will include all your employees that were employed as of the beginning of the year as well as new employees hired during the year. That way the beginning balance MUST match the amounts in last year’s column titled “Max annual allowed adj for FOAP” adjusted for the exceptions and “Max sick leave payout allowed adj for FOAP” adjusted for the exceptions. New employees will not have any balance. The bottom section is where you will copy and paste any employee from the top section who terminated during the year and was paid out prior to the year end. You will notice that for the hours earned the

calculation does not necessarily address terminations during the year however we are going to assume 12 months earned for every employee in our estimate.

- B. If you have an employee who has their time split between more than one FOAP string you will enter them into the spreadsheet each time they have a new FOAP (for example, if they are charged to two different FOAP strings you will enter them twice). In the % of FOAP column you will enter in the amount they are charged to each FOAP.
- C. If you have an employee who is less than 1.000 FTE you will enter in their FTE percentage (between 0 and 1.000) in the FTE column.
- D. Please be sure that the beginning balance amounts you are using are the capped (per the policy) amounts that were used in the prior year calculation. You should NOT be using an employee's gross amount out of the system. If an employee was split between FOAPS last year and you they are split again this year their beginning balance must be their split ending balance from last year. For example, if an employee had a total of 50 hours last year but was split between two FOAP strings then their ending balances last year would have been 25 for one FOAP and 25 for another FOAP. That is how it must be entered this year.
- E. Please be sure that the ending balances are as of April 30 and represent the ending balance for the individual as a whole NOT adjusted for their FTE or % of FOAP. For example, if an employee is listed in the spreadsheet twice because they have split FOAPS and their balance as of April 30 is 30 hours you MUST enter 30 hours on both lines. The calculations will do the rest in splitting them. This may appear to contradict #4 above however the formulas accommodate for it this way.
- F. The fund has been split into two columns so that schools that just book by fund type can sort by the first two digits of the fund to get the fund type for their entry.
- G. The calculation annualizes the balances as of June 30 by taking the April 30 balances and adding two months. We realize this does not take into consideration the leave taken during those two months but we are incorporating that into our assumptions for the calculation.
- H. Any changes in an employee's status that may have occurred in May & June (after the balances are pulled) will not be adjusted for. For example, if an employee became full-time in June their monthly accrual will not change from when they were % FTE.
- I. Increases in balances take into consideration the employee's hire date but it does not take into consideration if someone was terminated during the year and their increases will calculate as if they were employed the entire year.
- J. Decreases are a calculation of the beginning balance plus increases minus the capped ending balance. This will not necessarily reflect actual leave taken.

Instructions

1. Complete the spreadsheet ([P:\Controllers\Compensated Absences](#)) provided by the System Office with the following minimum information: name of employee, date of hire as a permanent employee with the state or adjusted service date for breaks in service (very important), actual accrual hours not to exceed maximum allowed hourly paid (annual salary/2080 hrs). Calculate the annual leave liability, sick leave liability allowable per employee and for the whole agency. Multiply the total of the sick leave liability by the percentage for expected retirees from closing instructions to arrive at the actual amount of liability to be recorded in the book. Also, complete the information on the payouts tab on the spreadsheet.
2. Complete the calculation for estimating the current and non-current portion of the compensated absence liability for financial statement reporting purposes. This calculation is based on the prior three (3) years rolling average of pay-outs.
3. Compare total short term and long term annual leave and sick leave liability with the amount recorded in the prior year. Prepare adjusting journal entries in accordance with the closing instructions to reflect the estimated liability for the current year.

SAP-15: ANALYSIS OF YEAR END FLUCTUATIONS

DATE APPROVED BY CONTROLLERS' GROUP: June 16, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: May 1, 2002

PURPOSE:

Reviewing year-to-year variances is an important part of financial statement preparation. Such a review is needed for several reasons:

1. It serves to highlight material transactions which may require footnote disclosure;
2. It helps the preparer to detect material errors which should be corrected before the statements are audited;
3. It helps the controller to anticipate potential questions or issues, and prepare answers to the variance analysis report that is sent out by the State Controller's Office at year-end.

PROCEDURE:

Colleges should prepare an analysis of year-to-year variances while preparing year-end financial statements. The analysis should be completed before the statements are submitted to the State Controller. (It is also recommended that such an analysis be done on an interim basis, such as semi-annually or quarterly.)

The format for the comparison is the basic financial statements. It is not necessary to compare each individual (*COFRS* or) FRS account although all accounts on the basic financial statements should be included in the analysis.

Only material variances need to be explained. Generally, material variances (requiring explanation) are those which meet both of the following criteria:

1. The variance is at least 10% of the prior year balance, and
2. The variance is more than \$50,000

Individual colleges, however, may choose to establish a lower percentage or dollar amount for materiality.

SAP-16: VALUATION OF LIBRARY MATERIALS

DATE APPROVED BY CONTROLLERS' GROUP: March 16, 2011

EFFECTIVE DATE: July 1, 1999

REVISED DATE: July 1, 2001

REVISED DATE: April 28, 2003

REVISED DATE: March 16, 2011

PURPOSE:

State of Colorado Higher Education Accounting Standard No. 5, "Capital Asset Reporting," describes the accounting treatment for library books as follows: "All library materials must be capitalized...There is no monetary threshold that must be met for library materials and collections to be capitalized." It defines "library materials" as "all volumes, serials, microfilm, government documents, computer files, manuscripts and archives, audio/visual materials (including cartographic, audio, graphic, film and video) and costs of binding/rebinding which are incurred by an institution's recognized library(s) and which are cataloged." Library materials include cataloged electronic books (ebooks), but do not include ebook readers. Ebook readers should be included in equipment and capitalized or expensed based on the dollar amount of the item purchased. Subscriptions (including electronic items) lasting longer than one year (such as life-time subscriptions) are included in the collection and capitalized. Subscriptions (including electronic items) that are renewed annually or less should be expensed as purchased.

The purpose of this accounting procedure is to expand on the above guidelines for the valuation of library books and to suggest a year-end test to determine the reasonableness of the total library materials reported on the Statement of Net Assets.

PROCEDURE:

An annual inventory of all items included in the collection should be conducted by the library staff. A report summarizing the annual inventory should be prepared by the librarian and should include (at a minimum) the total number of volumes as of year-end, the total number of volumes disposed, and the total number of volumes added.

A. Acquisitions

Purchases of library materials shall be capitalized in the Plant Fund at cost using the following account codes:

760010 Library Books General

760020 Library Media Capital

760030 Library Periodicals Capital

Donated materials received shall be capitalized at fair market value or estimated fair market value at date of donation. Donated library materials should be recorded using account code 528090 Donations Capital Library Holdings.

B. Depreciation

Depreciation of the Library Materials will be calculated on a 7-15 year life, using a half-year convention on current year additions.

C. Disposals

Disposals (withdrawals) of library materials may be recorded at actual cost, if available, or average cost as detailed below.

1. Average Cost.

If the number of deleted volumes is known, one way to estimate the cost of disposals is to use the overall "average cost per volume." The average cost per volume can be computed by dividing the total capitalized value of library materials on the financial statements by the total number of volumes held. The total number of volumes should be provided by the library based on their cataloging methodology or integrated library inventory system such as Auto-Graphics, or other method.

2. Annual Index.

Another way to estimate the cost of disposals is to use an annual index of the average price per title such as the North American Academic Book Index or the index published by the American Library Association in *US College Books*. Estimated costs will be more accurate if the year of acquisition and the subject area of each lost, destroyed, or obsolete book is known. If neither the year(s) of acquisition or subject area are known, you may use the average price/volume given by the index for all subjects, based on an estimated average year of acquisition.

3. Estimating Accumulated Depreciation on Disposals.

The first in/first out (FIFO) method (disposing of the oldest volumes first) is to be used for estimating the accumulated depreciation on disposals when the actual age and applicable values of the volumes are unknown.

D. Test of Reasonableness

While preparing the annual financial statements, college accountants may want to test the reasonableness of the recorded value of library materials using both of the methods below:

- Compare the average cost per volume to the previous year's calculation, and
- Compare the cost of the current year's library book additions and deletions to the previous year's additions and deletions.

If available, colleges may also compare the average cost per volume to an index as noted above.

E. Separate Entries

Entries for acquisitions, depreciation and disposals should be done separately by type (acquisition, depreciation, and disposal) and not netted or combined in order to maintain a clear audit trail.

SAP-17: PROPERTY, PLANT AND EQUIPMENT Page 1 of 25

DATE APPROVED BY CONTROLLERS' GROUP: June 16, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: April 18, 2013

REVISED DATE: February 19, 2014

REVISED DATE: January 20, 2016

REFERENCES: Fiscal Procedures Manual Chapter 9 Section 1, IRS guidelines, GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*, Financial Accounting Standards Board (FASB) Statement 34 *Capitalization of Interest Cost* and its amendments, FASB Statement 42 *Determining Materiality for Capitalization of Interest Cost*, and FASB Statement 62 *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, OMB Circular A-110, Subpart C, Section 33(b), GASB 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*

APPENDICIES:

Appendix 1: Capitalization Threshold and Useful Lives of Capital Assets

Appendix 2: Federal Requirements Related to Capital Assets

PURPOSE

To establish guidelines concerning policies and procedures to be implemented throughout the System Office and colleges for property, plant, and equipment.

DEFINITION OF CAPITAL ASSETS

Capital assets are long-lived tangible and intangible assets owned by the State that are held primarily for use (for purposes other than investment or resale) in a college's operations and programs. Examples of such assets include land, buildings, improvements to land, buildings and leaseholds, equipment (including furniture, fixtures, machinery, equipment, vehicles, and computer software), library books, works of art, and historical treasures. These assets result from either expenditures made by the College, or donations made to the College 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 SAP (Appendix 1). Cost thresholds are evaluated after discounts are applied. Capital assets include both depreciable and non-depreciable assets.

The System will report non-depreciable capital assets in the following major asset classes:

- Land
- Construction in progress (CIP)
- Collections (works of art and historical treasures whose useful lives are not diminished by display, educational, or research applications)

The System will report depreciable or amortizable capital assets in the following major asset classes:

- Land improvements
- Buildings and improvements
- Leasehold improvements
- Equipment (including vehicles) and software

- Library materials

CLASSIFICATION OF CAPITAL ASSETS

1. Non-depreciable Land and Land Improvements

Land is not depreciated and its cost lasts forever. It is the solid part of the earth's surface whether improved or unimproved. Land is considered real property. The land account should include all land purchased, leased, donated, or otherwise acquired by the College. The cost of land includes its acquisition cost, and initial costs of making changes to it so that it can be used for the purpose intended. Examples include contract price, real estate broker commissions, appraisals, legal fees involved in the transaction, cost of title guaranty insurance policies, cost of real estate survey, cost of an exercised option, special government assessments, fees charged by government for changes in land use or zoning, cost of recording title, cost of cancellation of unexpired lease, cost to move tenant if payable by purchaser, payment of past due taxes if payable by purchaser, cost of easements or rights of way, and assessments for the construction of public improvements. Further, it includes the cost of preparation of a construction site such as toxic waste cleanup, grading land and providing drainage, sewers, or placing utilities which are put in once (to prepare land for its intended use).

Land improvements are not depreciated if they have an indefinite economic life, but are added to the land cost. Costs necessary for the specific construction of a building such as grading and excavation of the building, removing trees and other foliage, are also included. Land improvements are considered real property.

2. Depreciable Land Improvements

Costs of land improvements that have a limited life are depreciated. These include paved parking lots and sprinkler systems, as well as recreational and landscaping improvements, fences, roads, lighting, swimming pools, athletic fields, sidewalks, docks and bridges.

3. Construction-in-Progress (CIP)

Construction-in-Progress (CIP) is the cumulative cost of capital projects that are under construction as of the balance sheet date and which, upon completion, will result in the creation of a capital asset or meets one of the following criteria:

- i. Extends the useful life of an existing asset beyond the life that was assumed when the asset was initially purchased/constructed.
- ii. Improves an existing asset's performance by adding space, adding value through the reduction of costs, or through an increase in revenues or functionality.
- iii. Converts an existing asset from one functional use to another.

CIP represents a temporary capitalization of labor, material, and equipment expenses of a construction project. When the constructed asset is complete or placed in service (e.g. a certificate of occupancy for a building), costs in the CIP account are classified to one or more of the major asset categories and corresponding reductions must be made to the CIP account. See section titled **Constructed Assets and Systems** in this SAP for additional guidance regarding the capitalization of equipment and art as part of a CIP project. Depreciation expense for new construction will not be recognized until substantial completion of the project and subsequent classification to an asset category outside of CIP.

Any additional expenses incurred in subsequent fiscal years that were part of the original scope of the project should be capitalized (a "write up" of the asset value in the BFAM must be made) and depreciated over the remaining life of the asset. This scenario most likely exists in the fiscal year subsequent to the year of capitalization. Any additional costs incurred that are not part of the original

scope of the project, but are related to the project, will have to be evaluated based on existing thresholds. Contact the system office for assistance.

If there is capitalized interest related to the CIP, the capitalization period begins when all three of the following conditions have been met:

- i. Cash payments have been made or debt has been incurred for construction of the asset
- ii. Activities necessary to get the asset ready for its intended use are in progress
- iii. Interest cost is being incurred

The capitalization period ends when the asset is substantially complete and ready for its intended use. It is recommended that CIP remain in the project fund until the project is complete at which time it is capitalized in the Investment in Plant fund.

4. Collections

Statement of Governmental Accounting Standards 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, defines collections as works of art, historical treasures, or similar assets that meet *all* of the following conditions:

- i. Held for public exhibition, education, or research in furtherance of public service rather than financial gain,
- ii. Protected, kept unencumbered, cared for, and preserved, and
- iii. Subject to organizational policy that requires the proceeds of items that are sold to be used to acquire other items for collections.

Examples of collections to be capitalized include:

- Collection of rare books and manuscripts,
- Maps, documents, and recordings, or
- Works of art such as paintings, sculptures, and designs. A "collection" is further defined as multiple pieces of art by one artist or multiple artists purchased with the intent to keep the pieces together as a group whether or not they are displayed in a common location.
- Artifacts, memorabilia, and exhibits
- Unique or significant structures or monuments

Exhaustible collections, such as exhibits whose useful lives are diminished by display or educational or research applications, shall be depreciated.

5. Buildings

Buildings are roofed structures used for the permanent or temporary shelter of persons, animals, plants or equipment, and are considered real property. Buildings can either be purchased or constructed. There are various types of costs that can be associated with either the purchase or construction of a building. See **Constructed Assets and Systems** section for further explanation of additional costs for capitalization.

6. Building Improvements

Building improvements are renovations or alterations to an existing building that add useful space to the structure or meet one of the following criteria:

- i. Extend the useful life of an existing asset beyond the life that was assumed when the asset was initially purchased/constructed,

- ii. Improve an existing asset's performance by adding space, adding value through the reduction of costs, or through an increase in revenues or functionality, or
- iii. Convert an existing asset from one functional use to another.

Conversely, improvements that do not add useful space to the structure or extend the facility's useful life will be considered repair and maintenance and expensed in the year incurred. Expenses include additional purchases of furniture and equipment.

7. **Leasehold Improvements**

Leasehold improvements in the form of buildings or structural alterations, renovations, or improvements made by the lessee to the leasehold are capitalized similarly to owned property, except that the useful life must follow the lease term.

8. **Equipment (including vehicles)**

Equipment includes tangible fixed or movable personal property that is not permanently built into a building and has not lost its identity through incorporation into a more complex unit. This asset type includes machinery, computers, office equipment, furniture, fixtures, tools, containers, and vehicles of all types. Vehicles include cars, trucks (including fire and ambulance), vans (standard and mini cargo), motorcycles, utility vehicles/ATVs, golf carts, and busses. Otherwise it is categorized as equipment (which includes tractors, mowers, trailers, and heavy equipment). Costs involved in preparing equipment for use should be included in the asset value even if the line item cost is initially below the threshold. Common costs incurred are contract price, commissions paid, legal fees and other contract costs, freight, handling, storage costs, sales or use tax and other taxes or fees assessed, cost of preparation of the space for installation, installation charges, cost of testing and preparation for use, and costs related to reconditioning of used equipment.

Types of equipment are categorized as follows:

- i. Computer Equipment includes IT related computer equipment including, but not limited to, servers, routers, chassis, blades, commercial printers.
- ii. Facilities Equipment includes building maintenance and grounds equipment.
- iii. Equipment Other includes any equipment not otherwise defined as Computer or Facilities Equipment.

Equipment purchased as part of a constructed asset that is merely attached or fastened (i.e. desks, whiteboards, projectors, computers, furniture) to a building(s) should be classified as equipment to the extent feasible and capitalized using the equipment thresholds. The equipment that meets the threshold should be capitalized and depreciated in the year of purchase rather than accumulated in construction in progress.

9. **Software**

GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*, defines internally developed software as software developed in-house by the government's personnel or by a third-party contractor on behalf of the government. Commercially available software that is purchased or licensed by the government and modified using more than minimal incremental effort before being put into operation also should be considered internally developed. See ***Internally Developed Software*** below.

All other types of purchased software, including software licenses, not specifically defined as internally developed should be capitalized if the useful life is beyond one year and meets all other capitalization criteria. Purchased software includes a perpetual license and does not require renewal of the license;

however, to update the functionality of the software additional maintenance may be necessary. Software licenses are for a limited time, and have potentially renewable software functionality greater than one year.

Generally speaking, perpetual licenses (where you pay a license fee once and are entitled to run the software forever without paying any additional fees) are treated as capital software if they meet the dollar threshold. True subscription licenses (where if you stop paying, the software stops working at the end of the subscription period) are expensed if the period of use is one year or less. If subscription licenses last longer than one year, they are capitalized over the life of the subscription period.

Software items are sometimes invoiced as one line item or bundle that combines software, software licenses, and/or software maintenance that could be individually capitalizable. All individual line items need to be researched and capitalized as needed.

10. Library Materials

Library materials include, but are not limited to, all volumes, serials, microfilm, government documents, computer files, manuscripts and archives, audio/visual materials (including cartographic, audio, graphic, film and video), electronic books (eBooks), and costs of binding/rebinding which are incurred by an institution's recognized library(s) and which are cataloged. All library materials are capitalized. Library Materials should be capitalized, annually, as a single asset ("bucket") recorded at cost. Each bucket should be written off in the fiscal year following the last year of depreciation. Since each purchase will fully depreciate in seven years, in the eighth year, the library materials that were 100% depreciated in the prior year will be disposed and removed from the general ledger. ~~Disposals on Library Materials will not be accounted for since the estimated useful life of each year's purchase will fully depreciate in a seven-year time span.~~ The immateriality of each year's disposals does not justify the administrative burden to account for them. See additional information at *SAP 16 - Valuation of Library Materials*.

PURCHASING

All capital asset items must be recorded in the 76XXXX account codes at the time of purchase in order to be automatically fed to the Banner Fixed Asset Module (BFAM). Constructed projects are recorded in the 77XXXX account codes and moved to the BFAM upon completion. The BFAM is designed to record fixed assets efficiently and effectively if the process starts from the point of purchase. It is recommended that the fixed asset accountant or delegate review purchase requisitions/orders prior to purchasing in Banner. This will ensure proper recording of items at the point of purchase and avoid fixed asset adjustments in the BFAM.

- i. Use commodity level accounting
- ii. Use proper account codes for thresholds provided in SAP 17
- iii. Make note of split funding (i.e. 50% grant and 50% general fund)
- iv. Request more information from end user to ensure correct category for account code and thresholds
- v. Look for potential trade-ins and/or discounts (In the purchase order, make sure to include the discount to the highest line item of the purchase order)
- vi. For software purchases the term of the license agreement must extend past one year
- vii. Ensure that all preparation cost are coded to the correct 76XXXX account

VALUATION

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, installation, site preparation, appraisal fees, and legal claims directly attributable to the asset's acquisition. Colleges should capitalize interest costs accrued during the time the asset is being prepared for its intended use. Generally this is the construction period, but it may also include the plan development period.

1. Equipment

Parts purchased as individual line items (not part of a system as defined below in Constructed Assets and Systems) which may be assembled in one whole unit shall be capitalized on a per-line-item basis, in accordance with the equipment threshold defined in this SAP, not as a unit. This may include IT equipment (i.e. servers, blades, chassis) or instructional equipment (i.e. auto parts, tools, machinery). The immateriality of the difference between expensing and depreciating the items does not justify the administrative burden to account for them as single units, which require them to be accounted for as attachments.

Preparation cost is any cost (e.g. shipping, and installation) involved in preparing equipment for its intended use. All line items that meet the equipment threshold must be capitalized along with any Preparation cost involved. If an asset cost is below the threshold, but meets the threshold when combined with the preparation costs, the asset and its preparation costs must be capitalized. Preparation costs should be assigned to the most expensive asset in cases where multiple capital assets share preparation costs, unless there is a more appropriate method for allocation that can be documented.

2. Donations

Donated capital assets are recorded at the estimated fair value of the assets at the time of donation. If historical cost information is unavailable after a search of bond documents, capital appropriations, donor records, etc., an estimate of the original cost using replacement costs discounted by appropriate price indices is allowed.

Fair value of the donated asset should be determined using a reasonable assessment via the Internet or other reliable source (this includes an appraisal from a professional appraiser). It is recommended that at least three estimates of the item's value be used to ensure accurate valuation. The methodology used to determine the asset's value should be documented for audit purposes. The donated asset should be added to the BFAM at the value determined using the *Asset Type* most reasonable for the default useful life and a *Condition Code* of *NW-New* or *UD-Used*.

3. Constructed Assets

The initial cost of a constructed building will likely include the shell, internal systems (i.e. HVAC, fire safety, alarm systems), fixed equipment (i.e. roof, bathroom fixtures, lighting fixtures), direct building site preparation (i.e. foundation preparation, noting, other land preparation including utilities and sewage would be included in the cost of the land – see non-depreciable land and land improvements) and internal labor (although not chargeable to a state-funded capital construction project, if paid using operating budgets, capitalization of labor expense is allowable). Once the initial cost of the building is capitalized, any future repair and maintenance or replacement costs will be considered repair and maintenance and will be expensed in the year incurred. In order to be capitalized, proper documentation is required to substantiate that the improvement will increase the useful life beyond the already established useful life as defined in this SAP, or that the improvement changes the service

utility of the building. A documented methodology is required to support the removal of previously capitalized costs.

NOTE:

- **Equipment** that is merely attached or fastened (i.e. desks, whiteboards, projectors, computers, furniture) to the building(s) should be classified as equipment to the extent feasible and capitalized using the appropriate equipment thresholds. The equipment that meets the threshold should be capitalized and depreciated in the year of purchase rather than accumulated in construction in progress.
- **Art** purchased as part of a constructed asset shall be capitalized if it meets the art capitalization criteria (see Collections section above). Art shall be capitalized in the year of purchase rather than accumulated in construction in progress.

i. **Timing of Capitalization**

When the constructed asset is complete or placed in service, previously recorded and current year costs residing in the CIP account are transferred out of CIP and into one or more of the major asset categories, thus beginning the recording of depreciation. The capitalization entry shall be completed annually at year-end.

ii. **Capitalization of Interest**

Interest payments for financed projects are to be capitalized in accordance with Financial Accounting Standards Board (FASB) Statement 34 *Capitalization of Interest Cost* and its amendments; FASB Statement 42 *Determining Materiality for Capitalization of Interest Cost*; and FASB Statement 62 *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants* during the period of time that is required to complete and prepare the asset for its intended use. Interest costs incurred during construction of capital assets represent a portion of acquisition costs and are to be capitalized. The rules for capitalization of interest vary depending on the type of financing:

- **Capital acquisition financed by externally restricted tax-exempt debt -**
Debt is considered to be for public purpose and thus tax-exempt if it satisfies either of the following two criteria:
 - 1) Less than 10% of the proceeds are used directly or indirectly by a non-governmental entity; or
 - 2) Less than 10% of the proceeds are secured directly or indirectly by a property used in a trade or business.Amount of interest to be capitalized is calculated by netting interest expense on a borrowing against related interest earnings.
- **Capital acquisition financed by borrowings other than externally restricted tax-exempt debt -**
Amount of interest to be capitalized is calculated by applying the interest rate on the borrowing to the average amount of accumulated expenditures for the asset during the period of construction.
- **Capital acquisition financed by existing resources -**
As long as there is any debt outstanding, related interest expense is considered as part of the cost of capital acquisition. Amount of interest to be capitalized is calculated by applying the weighted average of interest on

outstanding debt to the average amount of accumulated expenditures for the asset during the period of construction.

- Capital acquisition financed by a capital grant -
No interest is capitalized on any portion of a project that is financed by a capital grant that is externally restricted to the acquisition of specified assets.
- Capital acquisition with mixed financing -
Portions of the acquisition financed by each source must be treated separately in a proportionate fashion.

4. Systems

Systems are multi-faceted projects that may include equipment, significant installation/labor, and infrastructure changes. These types of projects are intended to function as one cohesive unit and do not have the potential to be used for multiple purposes. If a College believes that a project is a “system,” the System Office shall be contacted for a final determination as to the appropriate accounting treatment for the project. All discussion and final decisions regarding the recording of the project must be well documented for audit purposes.

If it is determined that a project should be recorded as a system, it is important to realize that individually purchased items of the project may not meet the equipment threshold, however when combined as a system, the items meet or exceed the equipment threshold. A system should be capitalized and depreciated in its entirety as one item. Future costs under the equipment threshold would be expensed as repair and maintenance. Future costs that meet or exceed the equipment threshold will need to be evaluated for capitalization. If costs meet the criteria for capitalization, the old costs of the part being replaced will need to be written off and the new part capitalized in its place. If the old costs cannot be easily identified, an allocation methodology will need to be developed and documented.

5. Internally Developed Software

Definitions Applicable to this Section

- *Upgrades and enhancements* – Includes modifications to existing internal use software resulting in additional functionality.
- *Internal Costs* – Costs paid to employees or other organizations within the entity, for example, payroll and programming costs of internal programmers.
- *External Costs* – Costs paid to outside vendors, for example, software licenses, or consultants.
- *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 typically has a relatively short useful life.

i. Capitalization of Software Costs

Software implementation generally involves three phases. These phases and their characteristics are as follows:

- a) Preliminary project phase – Stage when conceptual formulation of alternatives, the evaluation of alternatives, the determination that the technology needed to achieve performance requirements exists, and the final selection from among the alternatives is made.

- b) Application development/implementation phase - Design of chosen path including software configuration and software interfaces, coding, installation of computer hardware, testing (including parallel processing phase), employee time and travel expenses, and consultant fees and travel expenses.
- c) Post-implementation/operation phase - training and application maintenance activities incurred after phase two is complete.

The general treatment of costs for each phase is summarized below:

<u>Phase:</u>	<u>General treatment of costs:</u>
Preliminary Project Stage	Expensed
Application Development Stage	Capitalized
Post Implementation/Operation Stage	Expensed

ii. 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

iii. 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 third parties 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.
- Interest costs incurred while developing internal use computer software

iv. 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, and must be documented. The separate elements should be accounted for in accordance with the provisions of this guidance and GASB Statement No. 51.

v. Timing of Capitalization

Capitalization of costs should begin when all 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.

vi. Timing of 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.

vii. Upgrades and Enhancements

Outlays associated with an internally generated modification of computer software that is already in operation should be capitalized if the modification results in any of the following, as defined by GASB 51:

- A substantial increase in the functionality of the computer software, that is, the computer software is able to perform tasks that it was previously incapable of performing.
- A substantial increase in the efficiency of the computer software, that is, an increase in the level of service provided by the computer software without the ability to perform additional tasks.
- An extension of the estimated useful life of the software.

If the modification does not result in any of the above outcomes, the modification should be considered maintenance, and the associated outlays should be expensed as incurred.

viii. Split-Funded Projects

Internal use software projects that are funded from more than one funding source should follow this guidance.

OTHER COSTS

1. Repair and Maintenance

Costs incurred to keep a fixed asset in its normal operating condition that do not extend the original useful life of the asset or increase the asset's future service potential are not capitalized. Examples include replacing broken glass, painting, carpeting and decorating a classroom, and temporary repairs that last less than one year. These costs are expensed as repairs or maintenance.

Once the initial cost of the asset is capitalized, any future repair and maintenance or replacement costs will be considered repair and maintenance and will be expensed in the year incurred. In order to be capitalizable, proper documentation is required to substantiate that the repair/maintenance will increase the useful life beyond the already established useful life as defined in this SAP, or that the

repair/maintenance changes the service utility of the asset. A documented methodology is required to support the removal of previously capitalized costs.

Per *IRS Capitalization v. Repairs Audit Technique Guide*

(<http://apps3.irs.gov/businesses/article/0,,id=231440,00.html>), the table below summarizes the appropriate treatment in determining whether an improvement is a repair or should be capitalized. The table summarizes many factors, although not exhaustive, and should be considered in your analysis to distinguish between capital expenditures and deductible repairs. These factors are not mutually exclusive and if one factor or criteria is satisfied, it may not be appropriate to conclude that the expense is capital or repair. Additional factors may exist that are not addressed below which could result in a different conclusion.

Capital	Repair
Improvements that “put” property in a better operating condition	Improvements that “keep” property in efficient operating condition
Restores the property to a “like new” condition	Restores the property to its previous condition
Addition of new or replacement components or material sub-components to property	Protects the underlying property through routine maintenance
Addition of upgrades or modifications to property	Incidental repair to property
Enhances the value of the property in the nature of a betterment	-
Extends the useful life of the property	-
Improves the efficiency of the property	-
Improves the quality of the property	-
Increases the strength of the property	-
Increases the capacity of the property	-
Ameliorates a material condition or defect	-
Adapts the property to a new use	-
Plan of Rehabilitation Doctrine	-

2. Warranties

Separately purchased warranties should be expensed and are not to be capitalized as a part of the asset unless there is an implied warranty in the cost of the capitalized item (i.e. manufacturer’s warranty).

ASSET ACCOUNTING

1. New Purchases

i. Non-CIP:

At least annually, the following entries must be completed for reporting purposes as required by CORE Accounting Model YE5:

DR 077010/127XXX

CR Original Fund and Org/780010/Original Program Code

DR 099000/199000/780010/Original Program Code

CR 099000/199000/Original Expense Code**/Original Program Code

Cash transfer to keep funds in balance:

DR Original Fund and Org/820090/Original Program Code

CR 077010/177010/810090/7500

*****Use this entry for all the assets in the BFAM that are paid from an account in the range 760040-760150. Capital expense codes related to Library Materials (this includes printed, eBooks, ePeriodicals, and media) as well as capital construction expense codes in the range 775000-775299 are not setup to feed to the BFAM and do not require the entry above. Instead, these account codes are addressed in the CIP and Library Materials entries below.***

ii. CIP:

General CIP/YE5 Entry:

For multi-year projects, the following entries must be completed to record current year expense to CIP:

DR Project fund/127XXX (CIP account)
CR Project Fund/Project Org/780010/Project Program Code
DR 099000/199000/780010/Original Program Code
CR 099000/199000/775XXX/Project Program Code

Asset Capitalization from CIP

In the year that the asset is placed in service, the following entries must be completed to move the project costs from CIP to the appropriate asset account and record the transfer of cash between funds to keep them in balance:

DR 077010/127XXX(Asset)
CR Project Fund/127XXX(CIP account)
DR Project Fund/Project Org/820090/Project Program Code (Transfer Out)
CR 077010/177010/810090/7500 (Transfer In)

Additionally, in the year of capitalization, the newly capitalized asset will need to be added to the BFAM with a NCAP adjustment. NCAP adjustments allow for the capitalization of the asset in the BFAM without creating GL transactions. No depreciation will be recorded via journal entry. Once the asset is in the BFAM, the asset will be established with a start date of January 1st of the fiscal year in which it was capitalized (the year that the asset was placed in service). The depreciation process will be run for the current month that the asset was added to the BFAM and will bring the depreciation expense current (not to exceed six months of depreciation in the year that the asset was placed in service).

Construction Costs Subsequent to Asset Capitalization

In some instances, additional project expenses are incurred after the initial year of capitalization. These additional expenses must be moved to current year CIP as discussed in the **b. CIP - General CIP/YE5 Entry** section above. The resulting CIP must be capitalized via a BFAM Write Up (WRIT) of the asset, which will result in the following WRIT M Doc entry:

DR 077010/127XXX(Asset)
CR 077010/480010

The CIP must also be capitalized in the general ledger and cash transferred between funds as follows:

DR 077010/127XXX (Asset)
CR Project Fund/127XXX (CIP account)
DR Project Fund/Project Org/820090/Project Program Code (Transfer Out)
CR 077010/177010/810090/7500 (Transfer In)

The following entry reverses the duplicate effect of the WRIT M-Doc so that the 127XXX asset account is left with only one debit and 480010 has a zero balance:

DR 077010/480010
CR 077010/127XXX(Asset)

iii. Library Materials:

All costs related to library materials are accumulated throughout the fiscal year in the appropriate capital expense account regardless of the cost. At the end of the fiscal year, prior to close, all accumulated expenses should be capitalized as follows which creates a "bucket" for the fiscal year which will be depreciated over seven years:

DR 077010/127150
CR Original Fund/Original Org/780010/Original Program Code
DR 099000/199000/780010/Original Program Code
CR 099000/199000/76XXXX/Original Program Code

Cash Transfer:

DR Original Fund and Org/820090/Original Program Code
CR 077010/177010/810090/7500

Note: All library materials expenses for one year in account codes 760010, 760015, 760020, 760030 and 760035 should be included in the capitalized amount in the "bucket" for the fiscal year.

Additionally, in the year of capitalization, the newly capitalized asset will need to be added to the BFAM with a NCAP adjustment. No depreciation will be recorded via journal entry. Once the asset is in the BFAM, the asset will be established with a start date of January 1st of the fiscal year in which it was capitalized (the year that the asset was placed in service). The depreciation process will be run for the current month that the asset was added to the BFAM and bring the depreciation expense current (not to exceed six months of depreciation in the year that the asset was placed in service).

iv. Capitalized Interest:

For multi-year projects, the following entries must be completed to record current year interest expense for financed projects to CIP:

DR Project fund/1270XX (i.e. 127040)
CR Project Fund and Org/780010/Original Program Code

DR 099000/199000/780010/Original Program Code
CR 099000/199000/780040/Original Program Code

Capitalized interest will be accumulated along with all other current year project expenses in the appropriate CIP asset account until the asset is placed in service. In the year that that the asset is placed in service, all project costs (which includes related capitalized interest) are moved from CIP to the appropriate asset account (this

same entry is noted above in the "CIP" section of the 399 Entries). All remaining processes to add the asset to the BFAM is documented above in the same section.

2. Donations or Gifts

Assets received by donation or gift should be added to the BFAM as documented in the related desk procedures. The following entries are required **BEFORE** the item is added to the BFAM:

To record receipt of donated item (unless this is a purpose restricted donation, then the item would be recorded to the associated 13XXXX org):

DR 077010/177010/76XXXX/7500
CR Original Fund/Original Org/528XXX/0100

(NOTE: The credit should be to the original fund and org to which the donation was given (General Fund, Auxiliary, Restricted, etc.). If the donation is recorded directly in 077010, no cash transfer will be needed below.

To record Model YE5 entry:

DR 077010/127XXX
CR 077010/177010/780010/7500
DR 099000/199000/780010/7500
CR 099000/199000/76XXXX/7500
Cash Transfer:
DR Original Fund and Org/820090/Original Program Code
CR 077010/177010/810090/7500

3. Trade-Ins

When an existing asset is traded and an adjustment to the purchase price of the new asset is required, there are several actions necessary to appropriately record the cost of the new asset as well as to remove the traded asset from the fixed asset listing.

- Determine the acquisition cost of the new asset:

List price of new machine	\$16,000
Less: Trade-in allowance of used machine	<u>(9,000)</u>
Cash payment due	\$7,000

**Note: The value of the new machine is \$16,000 and will require a "write-up" in the BFAM as the invoice amount paid is \$7,000.

Fair value of the traded asset should be determined using a reasonable assessment via the Internet or other reliable source (this includes an appraisal from a professional appraiser). It is recommended that at least three estimates of the item's value be used to ensure accurate valuation. The methodology used to determine the asset's value should be documented for audit purposes.

- Increase (or "write up") the value of the new asset in the BFAM using the FFAADJF screen and selecting the "Write Up/Down Adjustments (WRIT)" Function Code from the drop down menu. The amount of the adjustment will be the difference between the cash paid (amount billed on invoice) and the actual cost of the new

asset as determined in the above formula. This is fair value of the asset that was traded.

- Write-off the asset that was traded for the purchase of the new asset. In the BFAM, use the FFAADJF screen and select the "Write-off (WOFF)" Function Code from the drop down menu. This will automatically create the following M-Doc entry if there is remaining book value on the traded asset:

DR 077010/1272XX
DR 077010/177010/559010/7500
CR 077010/1271XX

If there is a zero net book value, the following entry will be necessary to reverse the duplication effect of the M-Doc

DR 077010/480010
CR 077010/177010/559010/7500

When there is remaining book value, Banner will automatically record a loss for the full amount to the Gain/Loss on Disposal of Assets (559010). This amount may need to be adjusted to record the actual amount of loss based on the fair market value of the traded asset.

4. **Transfer of Assets within the System**

If a capital asset is transferred between two colleges, or between a college and the System Office, and there is no exchange of cash, then the asset and the related accumulated depreciation should be removed from the sending college's books and the identical amounts should be added to the receiving college's books with any needed debit or credit to the transfer codes 810XXX/820XXX. Transfers between colleges require disclosure on Footnote 8 and Exhibit W2 (see year-end footnote and exhibit Tips and Hints provided by the System Office).

- School transferring out:

- 1) In the BFAM, use the FFAADJF screen and select the "Write-off (WOFF)" function (this action will create an automatic entry to the G/L as follows):

DR 077010/1272XX
DR 077010/177010/559010/7500
CR 077010/1271XX

- 2) Create a journal entry in the Finance Module to move the amount that automatically went to the Gain/Loss account in the Write-off function in the BFAM:

DR 077010/177010/820XXX/7500
CR 077010/177010/559010/7500

- School receiving:

- 1) Create the following journal entry in the Finance Module to record the addition of the asset to the G/L:

DR 077010/1271XX
CR 077010/1272XX
CR 077010/177010/810XXX/7500

- 2) Create a new tag in the BFAM using the “New Tag, Non Procurement” action in the FFAMAST screen.
- 3) Since this asset will be capitalized outside the BFAM through a journal entry, you must create an adjustment in FFAADJF using the Function Code “No Posting G/L (NCAP)” for the original cost of the asset when it was purchased by the transferring school.
- 4) After asset is setup and assigned a P-Tag in the BFAM it must also have the depreciation setup in FFADEPR. **YOU MUST USE JANUARY 1st OF THE FISCAL YEAR THAT THE ASSET WAS ORIGINALLY PURCHASED BY THE TRANSFERRING SCHOOL.**
- 5) Finally, the accumulated depreciation must be recorded from the year of purchase through month previous to date that asset was brought on to the books of the school transferring the asset in. The adjustment will be completed in the BFAM in the FFAADJF screen using the Function Code “Record Past Depreciation (DEPP)”.

5. Recording Manual Payables at Year End

If expenses related to fixed assets are recorded via journal entry to the manual payable account (221110) the liability should be paid from the manual payable account. **DO NOT REVERSE THE MANUAL PAYABLE ENTRY AS IT WILL CREATE A NEGATIVE D-TAG IN THE FIXED ASSET SYSTEM.** When the entry to record the manual payable is created, the entry to the 76XXXX expense account will create a positive D-Tag in the BFAM. Please follow the instructions provided in the Desk Procedures for Fixed Assets to add the D-Tag to the module. This will capitalize the item in both the BFAM as well as in the Finance Module.

6. Depreciation/Amortization

Depreciation is the allocation of the total acquisition cost of a capital asset over its estimated useful life. Land, certain land improvements, construction-in-progress, inexhaustible works of art, historical treasures and similar assets are not depreciated. All exhaustible capital assets are depreciated using the straight-line method and the estimated useful lives from the table in this SAP. The following discussion applies equally to assets that are amortized, such as software and other intangibles, as it does to depreciable capital assets.

Colleges are required to record depreciation expense on capital assets quarterly. More frequent entries to record depreciation expense are recommended. Depreciation expense is recorded in the plant fund of the capital asset.

All colleges should use the “half-year” convention when calculating depreciation expense in the years in which an asset is purchased and disposed. The “half-year” convention works as follows:

- i. Purchases -
Regardless of the month an asset is placed in service, depreciation expense is calculated and recorded as if the college placed the asset in service on January 1 of the current fiscal year. This methodology results in the college recording depreciation expense for one-half of the first fiscal year of service.
- ii. Disposition and final year of asset life –
Regardless of when an asset that is not fully depreciated is disposed, the college treats the asset as if it were disposed on January 1 of the current fiscal year, resulting in the recording of 6 months of depreciation expense. This methodology results in the college recording depreciation expense for half of the last fiscal year of service.

NOTE: A fully depreciated asset (with the exception of library materials) shall remain on the college’s fixed asset records with its related accumulated depreciation as long as the asset is still being used in college operations.

When there is a change in the estimated useful life of an asset, depreciation charges for future periods shall be revised on the basis of the new book value. In cases that include a change in useful life, the revision shall be measured prospectively and accounted for in current and future periods. A change in the methodology must be disclosed in the footnotes of the financial statements.

7. Leases

Classification of Leases

Colleges will classify all leases in which the college is the lessee as either capital or operating leases in accordance with Statement of Financial Accounting Standards No. 13. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

- i. The lease transfers ownership to the college at the end of the lease term;
- ii. The lease contains a bargain purchase option;
- iii. The lease term is greater than or equal to 75% of the estimated economic life of the leased property; or
- iv. The present value of the minimum lease payments at the inception of the lease is greater than or equal to 90% of the fair market value of the leased property (using, as the interest rate, the lesser of the college's incremental borrowing rate or, if known, the lessor's implicit rate), excluding executory costs (e.g. insurance, maintenance and taxes paid in connection with the leased property).

Leases that do not possess any of the four preceding characteristics shall be treated as operating leases. The evaluation of the lease type is only conducted once at the inception of the lease and must be documented.

Accounting for Leases

Leases classified as operating leases shall be accounted for as expenses in the period in which the obligation to make a lease payment is incurred. Leases classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, an entry to record a fixed asset and a liability under the terms of the lease must be completed and is based on the net present value of the minimum lease payments (or the fair market value of the leased asset, if it is less than the present value of the lease payments). The fixed asset recorded under a capital lease shall be depreciated over the term of the lease.

Accounting for Leases Exception

If ownership of an asset remains with the lessee after the termination of the lease, the asset is not a lease hold improvement. The asset should be classified according to the Capital Asset Thresholds established in Appendix 1.

Cash Flow Statement

Purchasing a capital asset under a capital lease is considered a non-cash transaction and must be added to the non-cash section of the cash flow. In rare instances when cash is received from the lessor of the capital lease, the transaction would be considered a cash transaction.

8. General Ledger Detail Review (Accuracy and Completeness of Inventory)

The list below details recommended procedures to follow in order to ensure that capital assets are recorded in the appropriate category.

Review of Accounts - (Please note, this list is not all inclusive, and a thorough review of accounts should be conducted annually to ensure completeness.) Pull FGRODTA for accounts beginning with:

- i. 72XXXX Non-Capital accounts \$5K and over – These accounts are for non-capital expenses. Any capital expenses should be moved to the appropriate 76XXXX account.

- ii. 76XXXX accounts less than \$5K – Capitalized property purchases - Capital accounts should not include expenses less than \$5K (unless the expense is library materials or part of a bigger project that will be capitalized in its entirety). Non-capital expenses should be moved to the correct accounts.
- iii. 76XXXX accounts \$5K up – Capitalized property purchases - Expenses meet the dollar threshold, however they must also satisfy the requirements for capitalization set forth in SAP 17.
- iv. 77XXXX accounts - Capital property lease/construction purchases – Same review and determination as required in 76XXXX accounts.
- v. 52XXXX Capital Donation accounts - These revenues may have matching expenses previously addressed in the above expense account review. This is a secondary review to ensure that all donated assets are analyzed for capitalization.
- vi. 57XXXX State Capital/Emergency Project accounts – These revenues should have matching expenses previously addressed in the above expense account review. This is a secondary review to ensure that all expenses related to State Capital and Emergency Projects are analyzed for capitalization.
- vii. Org code review – All X70000 – X79999 orgs should be reviewed. These are plant fund orgs and any expenses, particularly those related to project orgs, should be reviewed to determine if they are capital items in accordance with SAP 17.

Purchase order and invoice review - Once a high-level review of expenses is complete, any suspected capital costs should be reviewed at the invoice and/or purchase order level to confirm whether they should be capitalized. The Fixed Asset Accountant and/or designee is to verify the items purchased and determine if the items are single or multiple components reflected in the expense total of the FGRODTA report.

REMOVING ASSETS

1. Disposals

Each college shall establish policies and procedures surrounding the disposal of assets that must include authorization from the designated approving authority in the Finance Department and, if grant funded, must include review and approval by the grant accountant or appropriate finance staff. Disposal of federally-funded assets must follow appropriate federal guidelines (reference link in Appendix 2). Complete documentation must be provided to the Finance Department related to the disposal and must be in compliance with System Presidents Procedure (SP) 16-60, *Surplus Property* and Information Technology procedures for sensitive information.

2. Sale of Assets (other than Collections of Art and Historical Treasures)

The sale of assets that include non-capitalized components are recorded for the full sales price and applied to the capitalized portion only (see example below).

Example: A purchase of equipment includes the following pieces:

1. Camera (single item)	\$ 5,500
2. Cables (4 @ \$250.00/EA)	\$ 1,000
3. Camera stand (single item)	<u>\$ 4,500</u>
	\$11,000

Based on the policy documented in this SAP, the only item capitalized is the camera, which will be added to the BFAM at a cost of \$5,500.00. This asset is categorized as “Equipment Other” with a useful life of six years. In year four of the asset’s useful life, the camera, cables, and stand are sold for \$8,000. The entry to record the sale is as follows:

- In the BFAM, use the Write Off Adjustment (WOFF) option in the FFAADJF screen in Banner. This process creates the following entry in Banner (this assumes the asset is sold in January and has six months of depreciation recorded in the year of disposal):

DR Accumulated Depreciation	\$2,750
DR Gain/Loss on Disposal of Asset	\$2,750
CR Asset	\$5,500

- The cash received from the sale of the asset should be recorded as a CHS1 and applied to the Gain/Loss on Disposal of Asset account. This entry will credit the Gain/Loss on Disposal of Asset account and will offset the debit to the same account created by the Write Off Adjustment which creates a net gain of \$5,250.

PLEASE NOTE: If asset is sold after more than six months of depreciation has been recorded in the year of disposal, an adjustment to the accumulated depreciation is required. ***THIS ADJUSTMENT MUST BE COMPLETED PRIOR TO WRITING OFF THE ASSET AS DOCUMENTED IN STEP 1 ABOVE.*** No more than six months of depreciation should be recorded in the year of disposal. This adjustment is entered in the FFAADJF using the Depreciation Adjustment (ADPR) option (please refer to the BFAM Desk Procedures). This is entered as a negative depreciation adjustment for the amount in excess of the half-year convention. Likewise, if the asset is sold prior to six months of depreciation being expensed, an adjustment for the amount that would be necessary to bring the depreciation expense to the full six months is required. This is also entered in the FFAADJF screen in Banner using the ADPR option; however, a positive depreciation adjustment would be entered.

3. Sale of Collections (Works of Art and Historical Treasures)

Per GASB 34, paragraph 27, any proceeds received from the sale of collections (works of art or historical treasures) must be used to acquire other items for collections (works of art or historical treasures).

4. Capital Asset Impairment and Insurance Recovery

Pursuant to GASB Statement No. 42, state agencies are required to measure and record an impairment loss if an event indicates impairment and passes the impairment tests in the standard. Colleges are not required to search for impairment as 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. Colleges 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 Office of the State Controller (OSC) will reclassify the amount so that it is presented on the State’s financial statements as an extraordinary item. If the impairment does not meet the

definition of extraordinary, the OSC will disclose the description of the impairment based on the college-provided information on Exhibit U2, Section C.

In proprietary funds, the restoration or replacement transaction is also required to be separate from the impairment loss. However, the standard requires that the insurance recovery 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 (refer to CORE Accounting Model Q), so the net effect 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 (refer to CORE Accounting Model P). 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.

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.

Overpayments received from insurance companies should be allowed to revert to the General Fund per CRS 24-30-202 (21). However, this statute only applies to outside insurance companies, not the State's Risk Management Office. If your college receives an overpayment from Risk Management, the excess must be returned to Fund 11P, Property Fund, to make the Risk Management Fund whole.

5. Transfers

See *Asset Accounting: Transfer of Assets within the System* above, and System President Procedure (SP) 16-60 *Surplus Property*.

6. Trade-Ins

When the disposal represents a trade-in on a similar asset, the newly acquired asset shall be recorded at the net book value of the trade-in asset plus any additional cash paid or financed via a loan or lease agreement. In no instance shall total cost exceed the fair market value of the new asset.

7. Lost/Stolen

The Finance Department should be notified immediately upon discovery of lost or stolen assets for insurance purposes. Additionally, a police report should be filed and may be required for State Risk Management claims. If insurance recovery is realized, refer to CORE Accounting Model P or CORE Accounting Model Q as discussed in the Capital Asset Impairment and Insurance Recovery section of this SAP. If no insurance recovery is realized, the asset should be written off and removed from the inventory listing.

8. Federal Requirements

See Appendix 2 - Federal Requirements Related to Capital Assets

PHYSICAL INVENTORY AND CONTROL – see SAP 25 (to be posted at a later date)

Appendix 1: Capitalization Threshold and Useful Lives of Capital Assets

ASSET TYPE	THRESHOLD	USEFUL LIFE
Land	-	-
Land (NL)	All capitalized,	N/A
Land: Non Depreciable Land Improvements (NL)	regardless of cost	
Land Improvements (LI)	\$50,000	20 yrs.
Buildings (BD)	\$50,000	27 yrs. (or remaining useful life of the building if assessed and provided in a formal appraisal)
Buildings Improvements	-	-
Building Improvements (BI)	\$50,000	20 yrs.
Building Improvements - Life Safety Improvements (BL)⁽¹⁾	\$50,000	5 yrs.
Leasehold Improvements (LH)	\$50,000	Greater of 5 years or the term of the lease (Banner defaults to 5 yrs; other term must be overridden)
Equipment (Non-Computer)	-	-
Facilities (EF)	\$5,000/item	10 yrs.
Other (EO)	\$5,000/item	6 yrs.
Furnishings (FN)	\$5,000/item	10 yrs.
Computer Equipment (EC)	\$5,000/item	3 yrs.
Software		5 yrs. (Purchased)
Purchased (SP)	\$5,000 (Purchased)	15 yrs. (Internally developed)
Internally Developed (SI)	\$50,000 (Internally Developed)	15 yrs. (ERP SO Only)
ERP (ER)	\$50,000 (ERP SO Only)	
Software License- Subscriptions (SL)	\$5,000/per license	Term of License (Banner defaults to 3 yrs; other term must be overridden)
Library Materials and Collections (LB)	All capitalized, regardless of cost	7 yrs.
Works of Art & Historical Treasures (NA)	\$5,000/item/collection	N/A
Vehicles	-	-
New (VN)	\$5,000/item	5 yrs.
Used (VU)	\$5,000/item	3 yrs.
Buses (VB)	\$5,000/item	9 yrs.
Aircraft (AI)	\$5,000/item	6 yrs.
Assets purchased under capital lease ⁽²⁾	-	Lease term

State of Colorado Fiscal Procedures Manual (Mar 2012), *Chapter 9: Section 1 – Accounting for Capital Assets, Infrastructure and Related Debt*

⁽¹⁾ This is used exclusively for fire detection and suppression equipment building improvements.

⁽²⁾ Assets purchased under a capital lease will use the appropriate asset type, but the useful life must be overridden to match the lease term.

Appendix 2: Federal Requirements Related to Capital Assets

Due to ever changing updates, the below link to the OMB Uniform Grant Guidance will provide up-to-date guidance pertaining to Federal requirements surrounding the accounting for capital assets. The Circular establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. The principles deal with the subject of cost determination, and make no attempt to identify the circumstances or dictate the extent of agency and institutional participation in the financing of a particular project. The principles are designed to provide that the Federal Government bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law. Agencies are not expected to place additional restrictions on individual items of cost. Provision for profit or other increment above cost is outside the scope of this Circular.

[U.S. Department Publishing Office - Electronic Code of Federal Regulations](#)

There may be instances in which pieces of equipment purchased with Federal grant money are not capitalized because they do not meet the definitions within the body of this SAP. However, this document does not preclude the requirement that assets purchased with Federal grant money need to be tracked and inventoried as required by the OMB.

SAP-18: PAYMENTS TO STUDENT GOVERNMENT OFFICERS

DATE APPROVED BY CONTROLLERS' GROUP: March 16, 2011

EFFECTIVE DATE: January 1, 2000

REVISED DATE: March 16, 2011

PURPOSE:

To provide guidance on payments to student government officers

PROCEDURE:

Colleges sometimes pay student government officers for serving in their positions. The determination of whether to pay the officers is a college decision. This procedure provides guidance on how the payments, if made, should be handled.

The officers fall into the "employee" category because they meet any one or more of the following criteria:

1. Job duties determined by college through student government
2. Officer has continuing relationship with the college
3. Paid by hour, week or month rather than a lump sum payment for a "job"
4. State has third party liability for the acts of the officer (Fiscal Rule 3-1, Item 2.1)

Based on the above information, the officer shall be paid through payroll. Documentation as to the job duties, amount and frequency of payment(s) and other reporting requirements should be established before the work starts, as with any other employee.

Providing Room or Board to a student government officer is at the discretion of each college. If room or board is provided to student government officers, the college must calculate the value and manually add the amount to the officers' W-2's at year-end. For those situations where the officer is given room and board for the College's convenience and is required to reside in a dormitory as a condition of employment, the room and board may be non-taxable to the officer. Please see Internal Revenue Service Publication 15-B "Employer's Tax Guide to Fringe Benefits" for further guidance.

Must have documented reasons to require student government officers to live on campus. This documentation must then require all student government officers to live on campus.

The officers are students so they would fall under the payroll guidelines for students.

This policy is effective for all payments made after March 16, 2011.

SAP-19: CALCULATION OF SUMMER ACCRUAL/DEFERRAL PERCENTAGE

DATE APPROVED BY CONTROLLERS' GROUP: April 16, 2003

EFFECTIVE DATE: April 16, 2003

REVISED DATE: April 11, 2011

REVISED DATE: April 18, 2012

PURPOSE:

The purpose of this procedure is to recognize the need to defer Spring Tuition and Fees for the quarter ending 12/31/XX and to specify the process for calculating the percentage of Summer Revenues to be recorded in each Fiscal Year. Summer Tuition and Board approved Fee Revenues (but not Registration Fees), are to have this percentage applied to them in determining year end accruals/deferrals.

SPRING PROCEDURE:

For Spring Term Deferral, each college will determine the amount of tuition and fees recognized as spring revenue as of 12/31/XX per the general ledger since spring semester classes do not start until January. An entry will be prepared for these amounts debiting the revenue accounts and crediting the appropriate liability (deferred revenue) account.

SUMMER PROCEDURE:

Each college will begin with its instructional calendar and select its primary term. Primary term is defined as follows: Course Schedule start date and end date (use the first day of the standard summer session). From that it will determine two numbers:

Numerator: the number of CALENDAR days (Sunday through Saturday) between and including the first day of classes and June 30.

Denominator: the number of CALENDAR days (Sunday through Saturday) between and including the first day of classes and the last day of classes.

Using those numbers, divide the numerator by the denominator, and round the result to the nearest whole percentage point. This is the percentage of summer term revenues that will be recorded in the current fiscal year (before June 30).

Example: if classes begin on June 2 and end on August 9, the numerator would be 29, the denominator would be 69, and the percentage would be 42%. The college would then record 42% of its known summer term tuition and fees as of June 30.

ADDITIONAL PROCEDURE:

If a college has material activity in its Continuing Education Auxiliary, and if that activity has a formal term beginning and ending dates, the college shall use the same calculation enumerated above to calculate the percentage of its Continuing Education activity to be recorded in the current year.

Example: if the Con Ed classes begin on June 2 and end on July 26, the numerator would be 29, the denominator would be 55, and the percentage would be 53%.

DATA COLLECTION PROCESS EXAMPLE:

To acquire the summer tuition, use FGIBDSR in Banner and select Account Type 5A Tuition and Fees. Select the transaction detail option and extract the data into excel. Do not include amounts for activity dates prior to the date registration started for the current summer term.

The deferred percentage will be applied against the totals for the year-end entry. The fund and organization codes used to record this entry should follow the fund and organization code where the original revenue was recorded. (Example: Fees recorded in 026010-126010-XXXXXX-XXXX should be deferred to the fund 026010-224030. The deferred amounts will be reversed in the subsequent fiscal year.

SAP-20: CALCULATION OF “INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT”

DATE APPROVED BY CONTROLLERS’ GROUP: May 6, 2003

EFFECTIVE DATE: May 6, 2003

REVISED DATE: Delete 4/11/2011- Incorporated in SAP-23

PURPOSE:

The purpose of this procedure is to define the components of the line on the Statement of Net Assets, Net Assets section, entitled “Invested in capital assets, net of related debt”. Also, to specify that this line should appear on the FBM070 (W-7) computerized SNA financial statement throughout the year. Given the activity at the entity, the amount shown on the SNA may or may not be equal to the ending balance of the prior year. And, given the amount of retainage, the amount shown on the SNA may or may not be equal to Capital assets net of Bonds or Leases payable.

PROCEDURE:

Definition: It is agreed that this item should consist of:

1. “Capital assets, net” less
2. “Bonds payable, current portion” and less
3. “Capital leases payable, current portion” and less
4. Non-current liabilities of “Bonds payable and “Capital lease payable” and less
5. Any retainage related to the capital assets.

Accrued interest on bonds or other debt related to a capital asset should NOT be used in the computation of “Invested in capital assets, net of related debt” for the equity section of the SNA. The debit portion of the accrued interest entry is an “expense”, not an addition to the asset value and therefore, is not considered as “debt” related to the Capital Asset (an asset addition).

SAP-21: RECORDING OF UPCOMING FALL SEMESTER TUITION AND FEES AT JUNE 30TH

DATE APPROVED BY CONTROLLER'S GROUP: May 6, 2003

EFFECTIVE DATE: June 30, 2003

REVISED DATE:

PURPOSE:

The purpose of this procedure is to achieve consistent reporting of upcoming fall semester tuition and fee activity at fiscal year-end, and to ensure that assets and liabilities are not overstated on colleges' year-end financial statements. Colleges who do not begin charging (turn on their rate table) for fall semester tuition and fees prior to June 30th may ignore this procedure. However, colleges who generate tuition and fee activity for the upcoming fall semester prior to June 30th, should follow this procedure, regardless of the materiality or immateriality of the dollar amount of such activity.

PROCEDURE:

1. At June 30th each year, all payments received for tuition and fees related to the upcoming fall semester shall be reported as Deposits Held in Custody on the college's Financial Statements. The entry to record this year-end adjustment as of June 30th is a debit to the respective revenue accounts and a credit to Deposits Held in Custody. This entry would need to be reversed in the new fiscal year.
2. At June 30th each year, any student accounts receivable balances related to the upcoming fall semester should be removed from both the accounts receivable and the respective revenue accounts. The entry to record this year-end adjustment as of June 30th is a debit to the respective revenue accounts and a credit to Accounts Receivable. This adjusting entry would need to be reversed in the new fiscal year. To determine the dollar amount of accounts receivable related to the subsequent fall semester, colleges will need to use a report of student accounts receivable balances sorted by semester, or other reasonable supporting documentation, as available.

SAP-22: SCHOLARSHIP ALLOWANCE

DATE APPROVED BY CONTROLLER'S GROUP: May 13, 2003

EFFECTIVE DATE: June 30, 2003

REVISED DATE: July 8, 2010

REVISED DATE: April 12, 2016

PURPOSE:

To achieve consistency in calculating and reporting scholarship allowances as well as disclosing the sources of Scholarship Allowance funds. Tuition, fees and other revenue is reported net of the Scholarship Allowances on the face of the SRECNA. Colorado institutions of higher education have elected to disclose the major funding sources of the allowances in a footnote to the financial statements. The following note format has been accepted by the Colorado Higher Education Accounting Standards Committee (CHEASC) – See GASB 34/35/ Issue Paper #4 for use by all State institutions of higher education effective June 30, 2002.

CALCULATION

All colleges shall use the COGNOS program named Scholarship Allowance Report. This report calculates the scholarship allowance based on General Ledger interface to Banner Finance setup for each Detail Code (the A and B account interface). The chart below shows the category description of the report and the criteria used to collect the data.

The scholarship allowance should be calculated using three semesters (Fall, Spring, and Summer). Include the semesters for which the financial aid expenses will fall within the fiscal year you are reporting.

Example: College disburses majority of summer aid before June 30, 2010 for Summer 2010.

Fall	201020
Spring	201030
Summer	201110

Example: College disburses majority of summer aid after June 30, 2010 for Summer 2010.

Summer	201010
Fall	201020
Spring	201030

Scholarship Allowance Report Specifications

Description	Criteria
General Fund Tuition and Fees	All charge detail codes where the B Account fund is between 010000 and 019999 and the account code is between 510000 and 519999
General Fund Other Charges	All charge detail codes where the B Account fund is between 010000 and 019999 and the account code is between 520000 and 599999
Auxiliary Fund Tuition and Fees	All charge detail codes where the B Account fund is between 020000 and 029999 and the account code is between 510000 and 519999
Auxiliary Fund Other Charges	All charge detail codes where the B Account fund is between 020000 and 029999 and the account code is between 520000 and 599999 and account code 113080 (bookstore clearing)
General Fund Scholarship Awards	All payment detail codes where the A Account fund is between 010000 and 019999 and the account code is between 750000 and 759999
Auxiliary Fund Scholarship Awards	All payment detail codes where the A Account fund is between 020000 and 029999 and the account code is between 750000 and 759999
Restricted Fund Scholarship Awards	All payment detail codes where the A Account fund is between 030000 and 039999 and the account code is between 750000 and 759999

Note Disclosure – Note XX: Tuition, Fees, and Auxiliary Revenue

The [College Name] receives revenue from several sources that is restricted for student scholarships and financial aid. In addition, [College Name] allocates unrestricted revenue for student financial aid. To the extent that these resources are used to pay student charges, the [College Name] records a scholarship allowance against tuition, fees and auxiliary revenue.

Tuition, fee and auxiliary revenue and the related scholarship allowance for the year ended June 30, 20XX were as follows:

Footnote Disclosure	Tuition and Fees	Auxiliary Revenue	Total
Gross Revenue	\$X,XXX,XXX	\$X,XXX,XXX	\$X,XXX,XXX
Scholarship Allowances	-	-	-
Federal	(X,XXX,XXX)	(X,XXX,XXX)	(X,XXX,XXX)
State	(X,XXX,XXX)	(X,XXX,XXX)	(X,XXX,XXX)
Private	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Total Allowances	<u>(\$X,XXX,XXX)</u>	<u>(\$X,XXX,XXX)</u>	<u>(\$X,XXX,XXX)</u>
Net Revenue	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>

Use the total scholarship awards by category per your financial statements to determine the proration for the above disclosure.

SAP-23: RESTRICTED NET ASSETS

DATE APPROVED BY CONTROLLERS' GROUP: April 20, 2011

EFFECTIVE DATE: May 13, 2003

REVISED DATE: April 20, 2011

PURPOSE:

To achieve consistency in calculating and reporting Restricted Net Assets as well as disclosing resources. Statement No. 34 of the Governmental Accounting Standards Board requires that "Net assets should be displayed in three components --- *invested in capital assets, net of related debt; restricted* (distinguishing between major categories of restrictions); and *unrestricted*. Definitions from the FARM (Financial Accounting and Reporting Manual for Higher Education). ¶350 Net Assets

- **Invested in capital assets, net of related debt** consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If significant unspent related debt proceeds exist at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt should be included in the same net assets component as the unspent proceeds—for example, restricted expendable.
- **Restricted net assets** "is the portion of net assets subject to externally-imposed constraints placed on their use by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other (enabling legislation) governments. When permanent endowments or permanent fund principal amounts are included, restricted net assets should be displayed in the statement of net assets in two additional components—expendable and nonexpendable. Nonexpendable net assets are those required to be retained in perpetuity."

CCCS has identified the following common categories to be used for the Statement of Net Assets:

- **Auxiliary Pledged Revenue:** all income or moneys derived from auxiliary funds: public service auxiliary, student services auxiliary, and auxiliary enterprises and related debt service revenues. Examples: SBDC, Student Bond Fee, Associated Student Government, Student Club accounts, Cafeteria, Bookstore, Residence Halls, Child Care operations, etc.
 - **Scholarships/Fellowships:** funds related to federal, state, and institutional financial aid programs, which include loans and work-study and privately funded scholarships.
 - **Loans:** Perkins Loans.
 - **Capital projects:** the acquisition or construction of major capital facilities and capital assets (other than those financed by proprietary funds or for assets held in trust funds for individuals, private organizations or other governments).
 - **Training programs:** Training grants that have specified requirements such as Colorado Job Training (CJT) and Existing Industry Training (EIT) grants.
 - **Debt-Service:** to account for the accumulation of resources for the payment of general long-term debt principal and interest. e.g. bond sinking fund.

- **Other:** Any other restricted net asset that falls outside the above definitions.
Note: A Restricted Net Asset balance of >5%(or if over 1 million- notify System Office and evaluate to see if it will require separate disclosure) of Net Assets should be separately disclosed (which may necessitate creating a new financial statement line if the existing ones are not appropriate). Items which do not fit into the existing common categories and are less than 5% of Net Assets may be aggregated as Restricted for Other.
- **Unrestricted net assets** consist of net assets that do not meet the definition of invested in capital assets, net of related debt or restricted net asset. In the government environment, net assets often are designated to indicate that the governing body (e.g., the trustees) and management do not consider them available for general operations. In contrast to restricted net assets, these types of constraints on resources are internal and governing bodies and management can remove or modify them.

PROCEDURE:

Complete the Net Asset worksheet required by System office at year end, using the following guidelines.

EXAMPLE WORKSHEET YEAR-END NET ASSET WORKSHEET required by System Office

-	Tie-out reference	School
Net assets:	TBD*	-
Invested in capital assets, net of related debt	-	=ICNARD Calculated formula
Restricted for expendable purposes: (eventually will be system-mapped) (Reference #1 on page 3)	-	-
Auxiliary pledged revenue (potentially)	410035	####
Scholarships/fellowships	410010	####
Loans	410020	####
Capital projects	410025	####
Training programs	410030	####
Debt-Service (potentially)	410050	####
Other	410040	####
Total restricted for expendable purposes	-	(Formula)
Unrestricted	-	(Formula)
Total net assets	-	(Formula)
Assets	SNA	####
Liab and NA	SNA	####
Variance	-	(Formula)
Net Assets per SCRECNA	SCRENA	####
Net Assets per SNA	SNA	####
Variance	-	(Formula)
Capital Assets, net	SNA	####
Less: O/S capital leases	SNA	####
Less: O/S Bonds Payable	SNA	####

* Could be these numbers listed

How to Compile all Net Asset Year End Balances

1. To compile all Net Asset year end balances run **FGRGLTA** in Banner using the **following parameters (this must be done after the year end roll has been completed):**

FGRGLTA: (example below would be for fiscal year ended June 30, 2011)

Fiscal Year 2012
 COA W
 From Fund (blank)
 To Fund (blank)
 From Acct 400000
 To Acct 499999
 From 01-Jul-2012 → use the next fiscal year not current year
 To 01-Jul-2012 → must be same date as “From” (see note below)
 Include Accrual Y
 Print Fund Total Y

To pull the period zero balances for FY11 the “From” and “To” have to be the same date of July 1, 2012. **OR** Run the following COGNOS Report (example below would be for fiscal year ended June 30, 2011).

SNA – parameter - next fiscal year FY12, Period -0- (same fiscal year as FGRGLTA report)
 - Drill down on Unmapped Net Assets and sort by “Fund.”

2. Analyze report(s) obtained in step 1 to determine which fund balances are restricted. You can determine this based on the fund number (restricted range) and whether the activity meets the restricted net asset definition under Purpose above.
3. Those net assets determined to be restricted in step 2 above can be entered into their appropriate restricted category on the worksheet.
4. Enter the Invested in capital assets net of related debt data into the ICNARD calculation portion of the worksheet. **(Retainage-there was a question as to whether we needed this in here.)**

ICNARD-Investment in capital assets net of related debt

Restricted Net Assets	TBD*	-
Capital Assets, net	SNA	####
Less: O/S capital leases	Exhibit F1	####
Less: O/S Bonds Payable	Footnote 10	####
Less: COPs Payable	-	####
Less: Mortgages Payable	-	####
Less: Unamortized Premium	Footnote 10	####
Plus: Unamortized Discount	Footnote 10	####
Less: Unamortized Gain	-	####
Plus: Unamortized Loss	-	####
Add: Unspent Cap Lease Proceeds	Exhibit N1	####
Add: Unspent Bond Proceeds	Exhibit N1	####
Add: Unspent Bond/COPS/Cap Lea	Exhibit N1	####
ICNARD Calculated	-	(Formula)

5. Complete COFRS Year End Accounting Model YE2X. This model is intended to record the restricted and unrestricted net asset balances only – ICNARD is to be included in the unrestricted totals for the purpose of the YE2X. The State does its own calculation to determine ICNARD based on the exhibits and footnotes we submit. (Book only changed amount, not whole total.)

*These could change

Auxiliary Pledged Revenues: FY2003 and FY2004

Applies to **all colleges with auxiliaries defined within the bond** – pledge is system-wide for **Series 2003 and Series 2004** bond issuance.

Impact on **SRECNA parenthetical** for tuition and fees, auxiliary and other operating revenues, as well as **SNA restricted net assets**.

Requirement for Restriction: Statutory Reference to Colorado Revised Statute CRS 23-60-307 Pledge of Income.

(3) If the pledged net income, fees, and revenues exceed the amount required to meet principal, interest, and reserve requirements in connection with revenue bonds of the institution to which such income has been pledged and exceed the amount necessary for the maintenance and operation of the auxiliary facility plus any amount set aside in a reserve fund for repair and replacement of the facility, the governing board may retain such surplus and utilize the same in such manner as in its judgment is for the best interests of the educational institution. Such surplus shall be used by the governing board for the purposes of rehabilitating, altering, adding to, or equipping any existing auxiliary facilities acquired pursuant to provisions of this article and for the acquisition of sites for constructing, acquiring, and equipping additional auxiliary facilities pursuant to such provisions or for prior redemption of outstanding bonds. Use of such surplus shall be reviewed in advance by representatives of the student government at the institution with which the auxiliary facility is associated.

Note: The CCCS bond resolution Section 5.11. Use of Remaining Revenues, states that “after the payments required to be made by Sections 5.04 through 5.10 here of are made, any remaining net pledged revenues in the reserve fund may be used for any lawful purposes, as the Board may from time to time determine.”

Per discussion with Frederic Marienthal, Kutak Rock LLP, in the FY 2003 audit, the position of the bond counsel is that any remaining net pledged revenues in the revenue fund may be used for any lawful purpose and that the “Bond Act” definition includes 23-5-103. The term “lawful purpose” restricts how the Board can use the remaining net pledged revenues. 23-5-103 also restricts the use of those moneys. KPMG believes the language of the bond resolution is too general to create a restriction. However, KPMG concludes that CCCS can restrict net assets under Colorado statute, if the statute specifically restricts how the college may use the money. The Statute meets the definition of an externally imposed restriction.

For purposes of the SCRENA parenthetical: pledges revenues less operation and maintenance expense for auxiliary facilities (all of which are defined below)

"Pledged Revenues" means all income or moneys derived from the Auxiliary Facilities, including without limitation student fees and other fees, rates and charges appertaining thereto and for the development thereof and may include, at the Board's discretion, any grants, appropriations or other donations from the United States of America or its agencies or from any other donor, except the State or its agencies or political subdivisions. "Pledged Revenues" does not include income or moneys derived in connection with any of the following: (i) Any tuition charges, registration fees and instructional fees; (ii) The levy of any general (ad valorem) property taxes; (iii) Any grants, appropriations or other donations from the State, its agencies or its political subdivisions; or (iv) Certain fees from certain student activities or clubs.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the System paid or accrued, of operating, maintaining and repairing any Auxiliary Facilities, as may be determined by the Board and may include, at the Board's option, except as limited by contract or otherwise by law, without limiting the generality of the foregoing: (i) legal and overhead expenses of the various System departments

directly related and reasonably allocated to the administration of the Auxiliary Facilities; (ii) fidelity bond and insurance premiums pertaining to the Auxiliary Facilities, or a reasonably allocable share of a premium of any blanket bond or policy pertaining to such Auxiliary Facilities; (iii) the reasonable charges of any paying agent or depository bank pertaining to any securities issued by the Board or appertaining to any such Auxiliary Facilities; (iv) contractual services, professional services, salaries, administrative expenses and costs of labor appertaining to the Auxiliary Facilities; (v) the costs incurred by the Board in the collection of all or any part of the Pledged Revenues, including, without limitation, revenues pertaining to any such Auxiliary Facilities; (vi) any costs of utility services furnished to the Auxiliary Facilities by the System or otherwise; and (vii) Operation and Maintenance Expense does not include: (A) any allowance for depreciation; (B) any costs of reconstruction, improvements, extensions or betterments; (C) any accumulation of reserves for capital replacements; (D) any reserves for operation, maintenance or repair of any Auxiliary Facilities;

(E) any allowance for the redemption of any bond evidencing a loan or other obligation or the payment of any interest thereon; (F) any liabilities incurred in the acquisition or improvement of any properties comprising project or *any* existing Auxiliary ~ Facilities, or any combination thereof; and (G) any other ground of legal liability not based on contract.

"Auxiliary Facilities" shall mean dormitories, apartments and other housing facilities; cafeterias, dining halls and other food service facilities; student union and other student activities facilities; store or other facilities for the sale or lease of books, stationery, student supplies, faculty supplies, office supplies and like material; theater, gymnasium, fieldhouse, stadium, arena and other recreation or athletic facilities for use in part by spectators or otherwise; land and any structures, other facilities or improvements thereof used or available to use for the parking of vehicles used for the transportation by land or air of persons to or from such land and any improvements thereon; properties providing heat or any other utility furnished by a system to any Auxiliary Facilities on a campus; services, contracts, investments and other miscellaneous unrestricted sources of income related to the Auxiliary Facilities and not designated in this Resolution, whether presently realized or to be realized.

For purposes of the SNA calculation: all net assets of the applicable orgs with a balance greater than \$0
We will be revising FTMBAL for going forward to ensure this is consistent and can be used in the programming for Restricted Net Assets beginning in FY2013.

Use 511260 – now titled “Pledge Tuition and Revenue Other (Fund 399)” – use for auxiliary pledged revenues related to tuition and fees.

Use 532910 – now titled “Pledged Aux Rev Other than T and F.”

Both of these pledges should be recorded GROSS in 511260 and 532910 for purposes of our financial statement entries. We calculate the NET Pledged Revenue for purposes of calculating our debt compliance. You show both gross and net values on your Exhibit E1.

Tuition and Fees Pledged Revenues: FY2010

Applies to **all colleges** – pledge is system-wide for **Series 2010-A, 2010-B1, and 2010-B2** bond issuances. Impact on **SRECNA parenthetical** for tuition and fees, auxiliary and other operating revenues, but **NO impact on SNA** (probably disclosure).

This will be calculated as a **straight 10% of total tuition and fee revenue, net of scholarship allowance**, per footnote 5.

Fund 399 entry using **new account code 511255 – “Pledged Tuition and Revenue 2010 Bond (Fund 399).”**