



**COLORADO COMMUNITY
COLLEGE SYSTEM**

**ACCOUNTING
PROCEDURES
MANUAL
(SAP)**

May 4, 2012

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

TABLE OF CONTENTS

| | |
|--------|---|
| SAP-1 | Adoption of Accounting Procedures |
| SAP-2 | Standard Tuition Refund Policy |
| SAP-3 | Accounts Receivable, Sponsored Students |
| SAP-4 | Allowance for Doubtful Accounts - <i>Revised 07/11</i> |
| SAP-5 | Accounts Receivable Write-Off Policy - <i>Revised 5/02</i> |
| SAP-6 | Deleted 6/02 Accounting for Multi-Year Operating Leases with Scheduled Rent Increases |
| SAP-7 | Deleted 6/02 Voided State Warrants |
| SAP-8 | Deleted 6/02 Accounting for Centralized Functions |
| SAP-9 | Accounting for Fixed Price Contracts – <i>Revised 04/12</i> |
| SAP-10 | Internal Controls Over Cash Receipts - <i>Revised 09/11</i> |
| SAP-11 | Procedure for Federal Cash Draws - <i>Revised 05/02</i> |
| SAP-12 | Overhead for Auxiliary Fund Accounts - <i>Revised 12/11</i> |
| SAP-13 | Financial Statements Checklist - <i>In Progress</i> |
| SAP-14 | Compensated Absences Liabilities – <i>Revised 12/11</i> |
| SAP-15 | Analysis of Year End Fluctuations - <i>Revised 05/02</i> |
| SAP-16 | Valuation of Library Materials – <i>Revised 03/11</i> |

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

TABLE OF CONTENTS (Cont.)

- SAP-17 Fixed Asset Physical Inventory - *Revised 05/02 In Progress*
- SAP-18 Payments to Student Government Officers – *Revised 03/11*
- SAP-19 Calculation of Summer Accrual/Deferral Percentage –
Revised 04/12
- SAP-20 Calculation of Invested in Capital Assets, Net of Related Debt
– *Delete 4/11/2011- Incorporated in SAP-23*
- SAP-21 Recording of Upcoming Fall Semester Tuition and Fees at
June 30th
- SAP-22 Footnote Disclosure for the Sources of the Scholarship
Allowance - *Revised 07/10*
- SAP-23 Restricted Net Assets – *Revised 04/11*
-

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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:

1. To establish consistent procedures for community colleges for accounting and/or financial reporting
2. 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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

SAP-3: ACCOUNTS RECEIVABLE, SPONSORED STUDENTS

DATE APPROVED BY CONTROLLERS' GROUP: February 2, 2000

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: July 1, 2001

REVISED DATE: July 8, 2010

- I. **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.

- II. **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

| | | | Customer Acct #1 | Customer Acct #2 | Customer Acct #3 | Totals |
|----------------------------|---|---------------------------|-----------------------------|-----------------------------|-----------------------------|---------------|
| | | | 1 | 2 | 3 | |
| 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)

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

III. 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.

IV. 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%.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

SAP-4

ALLOWANCE FOR DOUBTFUL ACCOUNTING

Page 3 of 4

| | | |
|----|---|------------------|
| 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> |

V. 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:

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

| Description | COFRS Acct Code | Allowance 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) | |

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

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

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: June 2002 - **DELETED**

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

SAP-7: VOIDED STATE WARRANTS

DATE APPROVED BY CONTROLLERS' GROUP: October 6, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: June 2002 - **DELETED**

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

SAP-8: ACCOUNTING FOR CENTRALIZED FUNCTIONS

DATE APPROVED BY CONTROLLERS' GROUP: February 2, 2000

EFFECTIVE DATE: July 1, 1999

REVISED DATE: June 2002 - **DELETED**

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

Fixed Price Contract General Fund Org Ranges:

| Fund | Prog | Org Ranges | | | |
|--------|------|------------|--------|--|-------|
| | | | | 12000-12899 - General/Departmental Instruction Expense (and Revenue in some instances) | |
| 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 | |
| 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 | |
| 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 | |
| 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 |

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

| Fund | Prog | Org Ranges | | 17 - Operations & Maintenance of Plant | |
|--------|------|------------|--------|--|-------|
| 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 |

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

SAP-10: INTERNAL CONTROLS OVER CASH RECEIPTS

Page 1 of 13

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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 |
| | Have access to adjust errors or make corrections to cash or accounts receivable balances |
| | *If unable to comply see mitigating control below table |
| | Be responsible for balancing cash receipts reports (such as TGACREV) to the general ledger |
| | 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) |
| | Reconcile among COFRS, the bank statement and the general ledger |
| | 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 |
| | Have access to create adjusting entries to cash in the general ledger |
| | Have access to create manual adjustments to cash or accounts receivable balances |
| | Reconcile among COFRS, the bank statement and the general ledger |
| The employee who: | Cannot also: |
| Has access to adjust student accounts | |
| | Make any adjustments or record any payments to their own account, if they are also a student |
| | Reconcile among COFRS, the bank statement and the general ledger |

COLORADO COMMUNITY COLLEGE SYSTEM

ACCOUNTING PROCEDURES MANUAL

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,

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.)

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM

ACCOUNTING PROCEDURES MANUAL

Colorado Community College System
Cash Receipts Control Checklist

Appendix 1
Page 1 of 2

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

Colorado Community College System
Cash Receipts Control Checklist

Appendix 1
Page 2 of 2

- 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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

Colorado Community College System
Cash Receipts Controls Definitions

Appendix 2
Page 1 of 2

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

Colorado Community College System
Cash Receipts Controls Definitions

*Appendix 2
Page 2 of 2*

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

Illustrative Cash Handling Procedures

*Appendix 3
Page 1 of 1*

Cash Handling Procedures

[Name of Department]

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

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

SAP-10

INTERNAL CONTROLS OVER CASH RECEIPTS

Page 11 of 13

Illustrative Cash Handling Authorization

*Appendix 4
Page 1 of 1*

**Cash Handling Authorization
[Department]
[Department Location]**

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.

http://www.colorado.gov/dpa/dfp/sco/FiscalProcedures/Cur/Exh_list.xls

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: _____

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

SAP-10

INTERNAL CONTROLS OVER CASH RECEIPTS

Page 12 of 13

Illustrative Fundraising Approval Request

*Appendix 5
Page 1 of 2*

Illustrative Fundraising Approval Request

Responsible Party:

_____ (Employee) _____ (Date)

Department:

Anticipated Date of Fundraiser:

Event Approved:

_____ (Controller/Business Officer) _____ (Date)

General:

Although money received through fundraisers is not college funding, employees of the college or System office involved in these activities and the handling of these monies act as stewards. In order to protect the interest of the students, monies in the custody of college or system employees must be processed with the same controls as college funding. As such, the College Controller/Business Officer must approve the fundraising activity in advance. The college Controller/Business Officer has established guidelines for the handling of cash receipts which fundraising activities must follow.

Please provide the following information regarding your proposed fundraising activity.

How do you plan to raise the funds (candy bar sales, car wash, etc.)?

Where will the event be held?

Which college employees will be involved? Please describe their roles.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

Illustrative Fundraising Approval Request

*Appendix 5
Page 2 of 2*

What processes do you have in place to safeguard the receipts and any items of value to be involved in the activity (such as items for sale)?

Will there be goods purchased that are going to be available for resale during the fundraising event?

By signing below I acknowledge the following and accept responsibility for ensuring adherence to the guidelines established here and through college and system procedure for the receipt and use of these funds:

Fundraising Coordinator:

Print Name:

Date:

Vice President

Print Name:

Date:

Guidelines:

- 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 according 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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

SAP-12: OVERHEAD FOR AUXILIARY FUND ACCOUNTS

Page 1 of 2

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

SAP-14: COMPENSATED ABSENCES LIABILITIES

Page 1 of 15

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:

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

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) |

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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)

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

SAP-14: COMPENSATED ABSENCES LIABILITIES

Page 4 of 15

| 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) |

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

| COLUMN | FACULTY | CLASSIFIED | EXEMPT |
|---------------|--|---|---|
| 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 percentage you MUST enter them the same way here. This must be the beginning leave balance charged to that FOAP. | 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. 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. | 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. |

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

| COLUMN | FACULTY | CLASSIFIED | EXEMPT |
|--------|--|--|--|
| | You must provide an explanation for the exception at the bottom of the spreadsheet. | | |
| 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 |
| 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 | 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 |

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

| COLUMN | FACULTY | CLASSIFIED | EXEMPT |
|--------|---|--|---|
| | | 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. | 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 sake of reasonableness of the calculation this assumption was made. | 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). |
| 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. |

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

| COLUMN | FACULTY | CLASSIFIED | EXEMPT |
|---------------|--|--|---|
| 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. |
| 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. |

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

| COLUMN | FACULTY | CLASSIFIED | EXEMPT |
|--------|---------|---|---|
| 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. |

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

| 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. |

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

| COLUMN | FACULTY | CLASSIFIED | EXEMPT |
|--------|---------|--|--|
| 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. |
| 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. |

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

| COLUMN | FACULTY | CLASSIFIED | EXEMPT |
|---------------|----------------|--|--|
| 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. |
| 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 | 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 |

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

| COLUMN | FACULTY | CLASSIFIED | EXEMPT |
|--------|---------|--|--|
| | | enter an amount in here you MUST document explanation at the bottom of the spreadsheet. | 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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

- 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.
3. 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.
 4. 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.
 5. 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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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

COLORADO COMMUNITY COLLEGE SYSTEM

ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

SAP-17: FIXED ASSET PHYSICAL INVENTORY

DATE APPROVED BY CONTROLLERS' GROUP: June 16, 1999

EFFECTIVE DATE: July 1, 1999

REVISED DATE: May 1, 2002

REVISED DATE: In Progress

PURPOSE: To establish guidelines concerning policies and procedures to be implemented at the college for fixed asset inventories.

PROCEDURE:

1. Each college shall have an established fixed asset capitalization policy in compliance with Colorado State Fiscal Rules and Colorado Higher Education Accounting Standards (and/or as required by external funding sources; e.g., the federal Carl Perkins Act).
2. Each college shall have an established equipment identification system; e.g., the attachment of an assigned unique identification tag on the equipment or scribing or permanently marking or bar coding the equipment with the college name (or State of Colorado) and assigned tag (ID) number on the equipment

The equipment listed in the system will have as a minimum the following components:

- Tag number
- Description of item
- Equipment serial number(s) and model number(s) if applicable
- Department name or identifying code
- Location
- Acquisition cost (or fair market value at date of gift)
- Date acquired
- Voucher number and/or Purchase Order number
- Account number (or other identifying source of funding)

The system shall include a method of determining current fixed assets on hand, acquisitions, dispositions, transfers between departments, etc.

3. Each college shall conduct an annual physical count of fixed assets. The physical inventory need not be conducted college-wide at the same time, but, to ease workload, may be spread out over the fiscal year by departments, buildings, etc.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

**SAP-19: CALCULATION OF SUMMER ACCRUAL/DEFERRAL
PERCENTAGE**

Page 1 of 2

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

**SAP-19: CALCULATION OF SUMMER ACCRUAL/DEFERRAL
 PERCENTAGE**

Page 2 of 2

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

**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).

COLORADO COMMUNITY COLLEGE SYSTEM

ACCOUNTING PROCEDURES MANUAL

**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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

**SAP-22: FOOTNOTE DISCLOSURE FOR THE SOURCES OF THE
SCHOLARSHIP ALLOWANCE**

Page 1 of 3

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

EFFECTIVE DATE: June 30, 2003

REVISED DATE: July 8, 2010

- I. 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.
- II. 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 |

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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 |

III. 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:

**COLORADO COMMUNITY COLLEGE SYSTEM
ACCOUNTING PROCEDURES MANUAL**

SAP-22: FOOTNOTE DISCLOSURE FOR THE SOURCES OF THE SCHOLARSHIP ALLOWANCE

Page 3 of 3

| | 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.

COLORADO COMMUNITY COLLEGE SYSTEM

ACCOUNTING PROCEDURES MANUAL

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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

- **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.

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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

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

* Could be these numbers listed

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

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

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

| | | |
|---------------------------------|--------------------|-----------|
| | TBD* | |
| Capital Assets, net | <i>SNA</i> | #### |
| Less: O/S capital leases | <i>Exhibit F1</i> | #### |
| Less: O/S Bonds Payable | <i>Footnote 10</i> | #### |
| Less: COPs Payable | | #### |
| Less: Mortgages Payable | | #### |
| Less: Unamortized Premium | <i>Footnote 10</i> | #### |
| Plus: Unamortized Discount | <i>Footnote 10</i> | #### |
| Less: Unamortized Gain | | #### |
| Plus: Unamortized Loss | | #### |
| Add: Unspent Cap Lease Proceeds | <i>Exhibit N1</i> | #### |
| Add: Unspent Bond Proceeds | <i>Exhibit N1</i> | #### |
| Add: Unspent Bond/COPS/Cap Lea | <i>Exhibit N1</i> | #### |
| 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.

COLORADO COMMUNITY COLLEGE SYSTEM

ACCOUNTING PROCEDURES MANUAL

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;

COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL

(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).”**