STATE OF COLORADO

HIGHER EDUCATION ACCOUNTING STANDARDS

ISSUED BY

THE OFFICE OF THE STATE CONTROLLER

COLORADO HIGHER EDUCATION ACCOUNTING STANDARDS COMMITTEE
By-Laws

Issued: 4/3/89 Revised: 02/03

ARTICLE 1 - PREAMBLE AND GOALS

Section 1 - Preamble

The State of Colorado Higher Education Standards Committee was created to accelerate efforts to provide uniform financial reporting among the public Colorado institutions of higher education. In 1989, the committee became a self-governing entity of the Higher Education Governing Boards and was renamed the Colorado Higher Education Accounting Standards Committee (CHEASC). The committee is composed of various institutional personnel and administrative agency staff representatives. The committee is charged with prescribing uniform financial reporting standards for state institutions of higher education, in conformity with prescribed state policies and rules.

Section 2 - Goals

A) The CHEASC shall recommend, for approval by the State Controller, accounting standards for financial reporting which will assure that financial statements
   1. are timely, accurate, useful, and comparable;
   2. conform to generally accept accounting principles for colleges and universities;
   3. meet the needs of institutions and governing boards for fiscal information for management purposes; and,
   4. meet requirements established by statute and State authorities.

B) The CHEASC shall advise the State Controller on fiscal rules and fiscal policy as they affect higher education.

ARTICLE II - MEMBERSHIP AND ORGANIZATION

Section 1 - Membership

A) The membership shall include the following for a total of 42 full voting members.

B) Board representatives shall be a voting member from each governing board staff (9):
   1. Trustees of the Colorado School of Mines,
   2. Board of Regents, University of Colorado,
   3. Board of Governors of the Colorado State University System,
   4. Trustees of the State Colleges in Colorado,
   5. Trustees of the University of Northern Colorado,
   6. Community Colleges of Colorado,
   7. Auraria Higher Education Center,
   8. Trustees of Metropolitan State College of Denver,
   9. Trustees of Fort Lewis College.

C) The Higher Education Fiscal Coordinator shall be a voting member (1).

D) Institution representatives shall be a voting member from each state-supported college or university (29)
   1. Adams State College

2. Aims Community College
3. Arapahoe Community College
4. Colorado Mountain College

5. Colorado Northwestern Community College
6. Colorado School of Mines
7. Colorado State University
8. Community College of Aurora
9. Community College of Denver
10. Fort Lewis College
11. Front Range Community College
12. Lamar Community College
13. Lowry HEAT Center
14. Mesa State College
15. Metropolitan State College of Denver
16. Morgan Community College
17. Northeastern Junior College
18. Otero Junior College
19. Pikes Peak Community College
20. Pueblo Community College
21. Red Rocks Community College
22. Trinidad State Junior College
23. University of Colorado, Boulder
24. University of Colorado, Colorado Springs
25. University of Colorado, Denver
26. University of Colorado, Health Sciences Center
27. University of Southern Colorado
28. University of Northern Colorado
29. Western State College

E) Agency representatives shall be a voting member from each of these central agencies: (3)
   1. The State Auditor's Office
   2. The State Controller's Office
   3. The Colorado Commission on Higher Education

F) Ex-officio representatives shall be non-voting members for each of these central agencies (2):
   1. The Governor's Office of State Planning and Budgeting
   2. The Joint Budget Committee

G) Representatives to the CHEASC shall be the person in the Controller-equivalent position or his/her delagee from each member entity. Others from the member entities may participate in CHEASC activities but each member entity shall have only one official representative to the CHEASC and one vote per member entity per Article III.

Section 2 – Organization

A) The CHEASC shall, as needed, create and charge subcommittees to perform specific tasks, study and make recommendations on issues, and/or develop draft policies. Such subcommittees may include persons additional to members of the CHEASC. Such subcommittees may develop draft standards which shall come to an official meeting of the CHEASC for discussion and vote. The accounting standards developed in this manner shall culminate in recommendations to be approved by the CHEASC and forwarded to the State Controller for final approval.

B) The full committee may delegate decision-making authority to its subcommittees.

C) Standing subcommittees of the CHEASC are created and charged as follows:
1. An Executive Subcommittee made up of the Governing Board members named in Article II Section 1B of these By-Laws, the Higher Education Fiscal Coordinator, and the CHEASC Chair authorized in Article VII Section 1A is charged with representing the full Committee in specific situations as authorized by the CHEASC at an official meeting. The Higher Education Fiscal Coordinator shall chair this standing subcommittee.
2. A GASB/FASB/NACUBO Subcommittee made up of volunteer members from the full Committee is charged with remaining current on discussions of authoritative bodies establishing GAAP, reviewing proposals issued by these authoritative bodies, reporting to the Committee on these discussions and actions, and recommending responses as appropriate. The CHEASC Vice-Chair shall be a member of this subcommittee. The Executive Committee shall appoint the Chair of this standing subcommittee.
3, A Financial Systems Subcommittee made up of two representatives from each of the six Governing Boards, one from a financial area and one from an information technology area, the Higher Education Fiscal Coordinator, and a representative from the Auraria Higher Education Center and the State Controller's Office is charged with assisting the State Controller in the review and approval of Higher Education financial systems. The Higher Education Fiscal Coordinator will chair this standing subcommittee.

ARTICLE III - VOTING

Section 1 - Voting Rights

All member entities, as defined in Article II, Section 1, shall have the right to vote, as prescribed in Article III Section 1 on CHEASC matters when in attendance at official CHEASC meetings.

Section 2 - Voting Actions

A) Matters requiring voting shall be approved by a two-third majority of voting members in attendance at an official CHEASC meeting. Only member entities present may exercise their vote.

B) No one member shall have more than one vote. Others from the member entities may participate in CHEASC activities but each member entity shall have only one official representative to the CHEASC and only one vote per member entity.

ARTICLE IV - MEETINGS

Section 1 - Meetings of Members

A) Official CHEASC meetings are those held on such date and at such time and place as may be designated by the CHEASC Chair, but no less than three times a year.

B) Written notice, which includes via e-mail, shall be given prior to convening an official CHEASC meeting.

Section 2 - Meeting Procedure

In transacting official business, the rules of parliamentary procedure contained in Roberts Rules of Order, Newly Revised shall govern all official CHEASC meetings.

ARTICLE V - OFFICERS

Section 1 - Officers

A) The officers of the CHEASC shall be the Chair, Vice-Chair, and Secretary, who shall be elected by the members based upon voting as prescribed in Article III, Sections 1 and 2. The officers shall be elected for terms of two years. Terms shall run from July 1 of the first term-year to June 30 of the second term-year.

B) In the event an officer for any reason is unable to serve out his/her term, a replacement will be nominated by the Executive Committee and elected by the full Committee to serve for the balance of the unexpired term.

ARTICLE VI - NOMINATION AND ELECTIONS

Section 1 - Nominations and Elections

A) Nominations for Chair, Vice-Chair, and Secretary of CHEASC shall be made from the floor or in writing to the Chair by the membership at the official spring meeting (prior to July 1) of the second term-year.

B) No person shall be nominated to serve as an officer unless he/she is a board or institutional representative member.

C) The regular elections shall take place at the official CHEASC spring meeting (prior to July 1). Voting may be by secret ballot.

ARTICLE VII - DUTIES OF OFFICERS

Section 1 - Duties of Officers

A) The CHEASC Chair shall
1. have the duty of calling official CHEASC meetings,
2. preside at official meetings and set the agenda,
3. appoint the chairs and other members to subcommittees,
4. represent, or appoint a designee to represent, the CHEASC on issues of concern to the group,
5. serve on the Higher Education Governing Board Financial Advisory Committee (FAC), and
6. serve on the CHEASC Executive Committee.

B) The CHEASC Vice-Chair shall
1. assist the Chair in the execution of his/her duties,
2. preside at official CHEASC meetings in the absence of the Chair,
3. serve on the GASB/FASB/NACUBO subcommittee of the CHEASC, and
4. serve in the absence of the Secretary.

C) The CHEASC Secretary shall
1. preside at official CHEASC meetings in the absence of the Chair and Vice-Chair, and
2. perform administrative and management duties including
   a. giving members due notice of all meetings of the committee,
   b. keeping and distributing minutes of all official meetings,
   c. coordinating the distribution of all information handouts on current agenda items,
   d. maintaining an up-to-date membership roster, and
   e. serving as historian and archivist.
   f. serving as record keeper for all continuing professional education conducted at CHEASC meetings.

ARTICLE VIII - CHANGE OF BY-LAWS

Section 1 - Change of ByLaws

A motion to change the bylaws must be approved by two-thirds of the voting members in attendance at an official CHEASC meeting. Any bylaw changes shall be scheduled on the agenda prior to that official meeting.

COLORADO HIGHER EDUCATION ACCOUNTING STANDARDS COMMITTEE

Procedure Number 1

PURPOSE:

The following procedure implements Article II, Section 1 of the Bylaws by providing for a date after which a new standard or revision to a standard will not be effective for the fiscal year in which it is adopted.

PROCEDURE:

In order that a standard or a revision to a standard may be reviewed by the State Controller and published with enough time to permit implementation before the end of the fiscal year in which it is adopted, the Committee will not adopt a standard or a revision to a standard after February 15 for implementation in the current fiscal year. Any standard for revision to a standard adopted after that date will be considered to become effective in the following fiscal year, unless in adopting the standard or revision the Committee specifically requests and the State Controller agrees to an earlier optional or mandatory implementation date.

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COLORADO HIGHER EDUCATION ACCOUNTING STANDARDS COMMITTEE

Procedure Number 2

PURPOSE:

The following procedure implements Article II, Section 1 of the Bylaws by providing for a standard method to insure transmission of an accurate text of adopted standards to the State Controller for action.

DEFINITIONS:

Author: the person appointed to compose the draft final text of a new or revised standard as approved by the Committee. If the standard or revision was submitted by a subcommittee, the author will be the chair of the subcommittee. In any other case, the author will be the member who made the motion to adopt the standard or revision.

Technical change: a change, such as of grammar, spelling, punctuation, or style, that does not change the meaning of the standard.

Substantive change: a change that affects the meaning of the standard.

TRANSMISSION PROCEDURES:

The flow of the standard within the CHEASC and the State Controller's Office will be documented via a routing sheet attached to the standard. The routing sheet will indicate on each line the name of the sender, date of transmission, name of the recipient, and date of receipt. Upon publication or rejection of the standard, the routing sheet will be returned to the CHEASC Secretary to be retained in CHEASC files.

The standard or revised standard's draft approved text, with routing sheet, may be transmitted to the Secretary in paper or electronic format. The Secretary will transmit the document to the State Controller in an agreed electronic format via a disk or as a document attached to an e-mail message. At all stages of transmission, the document will contain the complete standard including any examples or supporting documentation required to be attached to the standard.

RESPONSIBILITIES AND TIME FRAMES:

Upon adoption of a standard or revision to a standard, the Chair will identify the author. The author will, within two weeks of adjournment of the session at which the standard or revision was adopted, prepare the text of the standard or revised standard as approved by the committee, making such technical corrections as may be required, and transmit it to the CHEASC Secretary.

Within one week of receipt of the draft approved text, the Secretary will review it. If the Secretary determines the text does not conform to the standard or revision to a standard as approved by the Committee, the Secretary will return it within one week of receipt to the author with suggested corrections.

The Secretary and the author will agree upon the text of the standard or revised standard as quickly as possible. If agreement has not been reached between them within two weeks of first receipt by the Secretary, the Secretary will refer the matter to the executive committee, whose decision will be made within two weeks of the referral and will be final.

Within one week of finalization of the approved text, the Secretary will forward the text of the standard or revised standard to the State Controller.

If the State Controller approves the standard as submitted by the CHEASC Secretary, he will distribute the standard within two weeks.

If the State Controller believes that revisions are necessary, the following procedures will be used:

> The State Controller will notify the CHEASC Secretary within two weeks of receipt regarding the changes needed. The Secretary will, after consultation with the author and within one week of notification by the State Controller, inform the State Controller whether the Secretary believes the change(s) to be substantive
>
> Technical changes:
>
> If the Secretary believes no change(s) to be substantive, the State Controller may then incorporate the revisions, approve, and distribute the standard.
>
> Substantive changes:
>
> If the Secretary believes one or more change(s) to be substantive, the Secretary will as expeditiously as possible notify the Chair of the changes requested by the State Controller. The Chair will conduct a debate on the requested changes by electronic mail or other means, establishing at the outset a date for the final vote, and receiving comments and forwarding them to all Committee members as expeditiously as possible, taking particular care that the State Controller be kept fully informed. Where there is disagreement, it will be the duty of all members and especially the Chair to be alert for possible substitute language that will satisfy both the State Controller and the Committee membership. Prior to the date designated for the final vote, the Chair will state the question in the form he or she deems most likely to be acceptable to both the membership and to the State Controller, and the means for casting votes. An affirmative vote of two-thirds of the members voting will be required to approve the proposed change(s) to the approved text. The Chair will immediately notify the Secretary of the result of the vote. In the alternative, the Committee may, at the time it adopts a standard or a revision to a standard, designate the Secretary and author, or such other persons as it may designate by

name, to consider, discuss with the State Controller, and agree or refuse to agree to changes or modifications to changes proposed by the State Controller. The Secretary will notify these designated persons of changes requested by the State Controller and they will complete their work and notify the Secretary of the results within two weeks of notification to the Secretary that the State Controller requests changes.

If proposed change(s) are approved, the Secretary will, within one week of the vote transmit the revised text to the State Controller. If proposed change(s) are not approved, the Secretary will, within one week of the vote, transmit the text as originally approved to the State Controller together with notice of the outcome of the vote.

If the State Controller agrees with the standard as it stands upon re-transmission by the Secretary, the State Controller will approve and distribute the standard within one week of receipt. If the State Controller does not approve the standard as re-transmitted, the State Controller will note on the routing sheet the reason approval was denied and return the text to the CHEASC Secretary. The Secretary will notify the CHEASC members the reason that approval was denied and that the issue will be discussed at the next official meeting. The Secretary will insure that any standard approved by the CHEASC but not issued by the State Controller is included in the agenda for the immediately subsequent meeting.

Regardless of whether a standard is approved, the Committee acknowledges the authority of the State Controller to issue an accounting directive at any time, in the form of an advisory, alert or other form.

STATE OF COLORADO
HIGHER EDUCATION ACCOUNTING STANDARDS
ISSUED AND EFFECTIVE 7/1/02

		Last Revised
Standard 1	Basic Accounting & Reporting Structure	03/09/01
Standard 2	Tuition and Fee Accounting	02/11/02
Standard 3	Recording and Reporting of Indirect Cost (Facilities and Administrative Cost) Revenues of Sponsored Programs	03/09/01
Standard 4	Non Exchange Transactions	05/09/00
Standard 5	Capital Asset Reporting	04/30/01
Standard 6	Rescinded	09/25/98
Standard 7	Cash and Short-Term Investments	02/11/02
Standard 8	Reporting Student Financial Aid and Scholarship Allowances	04/17/02
Standard 9	State Appropriations	10/16/01
Standard 10	Rescinded	07/01/01
Standard 11	Recording Internal Service Center Activity	10/16/01
Standard 12	College Work Study Programs	03/09/01
Standard 13	Rescinded	07/01/02
Standard 14	Reporting and Disclosures of Related Foundations and Corporations	07/01/93
Standard 15	Rescinded	07/01/01
Standard 16	Blank	01/13/95
Standard 17	Financial Statement Presentation	04/17/02
Standard 18	Compensated Absences for Annual and Sick Leave	02/11/02
Standard 19	Blank	02/24/89
Standard 20	Rescinded	07/01/01

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HIGHER EDUCATION	Last Revised 03/09/01	
ACCOUNTING STANDARDS	Revision Effective 07/01/01	
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TITLE: BASIC ACCOUNTING & REPORTING STRUCTURE

The purpose of the State of Colorado Higher Education Accounting Standards is to provide guidance in areas:

- Which are not addressed by the authoritative accounting and reporting literature;
- Where the literature provides alternate methods of accounting and reporting; and/or
- Where accounting practices for Colorado institutions of higher education will vary from that recommended in NACUBO, *Financial Accounting and Reporting Manual for Higher Education (FARM)*.

These Standards are intended to prescribe external financial reporting practices and are not intended to provide guidance on internal accounting policies. Institutions should refer to the State of Colorado Fiscal Rules and the accounting manuals prepared or approved by the State Controller's Office for appropriate internal accounting practices.

Under Statement No. 34 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, Colorado institutions of higher education prepare external financial statements following the guidance for special-purpose governments engaged only in business-type activities (BTA model). See Colorado Higher Education Accounting Standard #17, *Financial Statement Presentation*, for the required financial statements and prescribed format to be followed.

Under the BTA model, colleges and universities follow the financial accounting and reporting guidelines for enterprise funds.[1] Those guidelines include GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, which requires enterprise funds to apply all FASB Statements and Interpretations, APB Opinions, and ARBs issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.[2] The State of Colorado has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, as allowed under paragraph 7 of GASB Statement No. 20. Therefore, Colorado colleges and universities do not apply those Statements and Interpretations.

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1 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Governmental Accounting Standards Board Statement No. 34, Norwalk, CT, June, 1999, paragraph 138, pg. 49.

2 Ibid, paragraph 93, pg. 33.

The underlying measurement focus and basis of accounting used to prepare external financial statements are the:

- Economic resources measurement focus; and
- Accrual basis of accounting.

Although, the economic resource measurement focus and accrual basis of accounting are used to prepare external financial reports, Colorado institutions must also maintain management accounting records that account for transactions in a manner that ensures compliance with statutory and regulatory guidelines. To facilitate this, institutions continue to maintain management accounting records by funds. The number and nature of these funds will vary depending on the institution's activities, laws and regulations, and policies and practices approved by the State Controller. Institutions should refer to the State of Colorado Fiscal Rules; the Colorado Financial Reporting System (COFRS), Chart of Accounts, College and University Funds; the State Controller's Office Fiscal Procedures Manual; and the Higher Education TABOR Guidelines.

In addition, certain transactions, such as encumbrances, student financial aid expenditures, capital asset acquisitions, and transfers and loans between funds will continue to be recorded for management purposes in a manner that differs from external financial reporting guidelines. To the extent that these transactions do not meet current external financial reporting requirements, the Standards which follow prescribe adjustments that are required to convert the institution's management accounting to the appropriate measurement focus and basis of accounting for external financial reporting.

For example, Colorado institutions are required by State of Colorado Fiscal Rules to record encumbrances – commitments related to unperformed (executory) contracts for goods or services.[3] Encumbrances outstanding at year end do not constitute expenditures or liabilities.[4] As a result, institutions do not report encumbrances in their financial statements, although disclosure in the notes to the financial statements should be made where such commitments are material in amount.[5]

[3] *Governmental Accounting and Financial Reporting Principles*, National Council on Governmental Accounting Statement 1, March, 1979, paragraph 91.

[4] Ibid, paragraph 91, (2).

[5] *Notes to the Financial Statements Disclosure*, National Council on Governmental Accounting Interpretation 6, May, 1982, paragraph 4.c.

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TITLE: TUITION AND FEE ACCOUNTING

This tuition and fee accounting standard is presented in three sections, reflecting the combination of two previously separate standards. The first section, entitled "Definitions and Examples" is presented first to provide common definitions and examples of fees, which are applicable throughout the rest of the standard. The second section entitled "Recording of Tuition and Fees" was written to clarify program codes and the fund (s) in which tuition and fees should be recorded in the state accounting system. The third section addresses the preferred accounting treatment of tuition and fees for "Summer or Special Sessions". This standard states the recommended normal treatment of tuition and fees as well as special session tuition and fee revenue. Different treatment is permitted only upon the college's or university's appropriate documentation of adequate justification. Departmental guidelines exist for proper reporting to satisfy the requirements of Article X, Section 20 of the Constitution, commonly referred to as the TABOR Amendment and should be referred to in addition to this standard.

Definitions and Examples

This section is presented first to provide definitions and examples. The term "fee" is often used generically. Clarification is needed as to which are instructional fees, which are student activity fees, and which are considered revenue to be classified in a program code other than "tuition and fees" as appropriate per the activity generating the revenue. These definitions and their examples apply throughout the remainder of the standard.

Revenue Categories

Fees

Instructional Fees - Instructional fees are defined as those mandatory fees charged to students where the fee is directly related to specific instructional programs. This includes fees related to whole academic programmatic areas as well as to specific course fees. Examples of this type of fee are a lab fee (i.e., chemistry, anatomy), a microscope fee (when the microscope is required for a particular program or course), music fee, telecourse fee, physical education fee, and program fee, (i.e., school of business or college of engineering fee). These fees are recorded in the "Tuition and Fees" program code.

Student Activity Fees - Student activity fees are defined as those mandatory fees charged to the student body in general as a result of their attending the institution. Examples of these types of fees are general student fees, student health fees, student organization fees, student newspaper fees, fees for social-cultural development, and fees for intramural athletics, as well as student activity fees pledged to repay bonded indebtedness. These fees are recorded in the "Tuition and Fee" program code.

Other Types of Revenue

Many college or university activities generate a charge which is commonly called a "fee", but which for purposes of this standard, is called non-fee revenue. Non-fee revenue is incidental to the teaching mission and includes charge-for-service revenue, charges related to the Registrar function and penalty charges.

Charge-for-service revenue is generated, for example, by room and board, parking, student centers, identification badges, food services, college stores and recreation centers. These operations, for purposes of financial reporting, should have their charges recorded in the appropriate program code such as "Sales/Services of Education Activities" or "Sales/Services of Auxiliaries". Charges related to the Registrar function, such as those for admission, drop/add, late registration, transcript and graduation are also non-fee revenue. These, together with penalty charges for bad checks, deferred or late payment of instruction related fees and charges for processing financial aid applications are non-fee revenue and should be recorded in the appropriate program code such as "Other Revenues/Additions" in the fund where the related expense is incurred.

Deposits and Liabilities

Deposits

Some deposits are also commonly referred to as "fees", but for accounting purposes are not classified as such. Examples are lab damage deposits and "self-assessed graduating class fees" (such as when the class of 19XX assesses all of its graduating class members an amount to be used as its class officers see fit) collected and held on deposit for membership in faculty, staff or student organizations. These are not revenue to the institution and should be recorded as "Deposits Held in Custody for Others".

Liabilities

Some "fees", such as medical insurance premiums charged to students, do no represent revenue to the institution. They should be recorded as liabilities in the appropriate fund.

Recording of Tuition and Fees

Historically, in Colorado, the current unrestricted fund has been delineated into the "State Appropriated Fund" and "Auxiliary and Self-Funded Activities" funds, which were not appropriated. In 1993-94 and subsequent years, if the legislature appropriates an auxiliary and self-funded activity, it is necessary to record that activity in an "appropriated" auxiliary and self-funded fund within the auxiliary and self-funded group of funds.

Auxiliary enterprises, by definition, are additional or supplemental activities providing goods and services to students, faculty, staff, and incidentally to the public. Self-funded activities, such as internal service activities, continuing education and conferences, like auxiliary activities, charge fees that directly relate to the cost of these goods and services. NACUBO lists these as examples of auxiliary enterprises: residence halls, barbershops, intercollegiate athletics, and college unions.

Specific examples of the treatment of tuition and fees on the state accounting system follow.

Tuition charged for instruction or training is normally recorded in the current unrestricted fund(s). In this context, all charges made for training and instruction, and all other charges made in conjunction with the support of instructional activities, are part of the current unrestricted fund(s). Tuition revenue that is appropriated by the legislature is recorded in the "State Appropriated Fund." Tuition revenue that is not appropriated, such as continuing education tuition and conference income, is recorded in the "auxiliary and self-funded activities" fund(s).

Instructional fees charged as part of course instruction, such as lab fees, are recorded in the same fund as the related tuition.

Student activity fees, collected as a condition of enrollment, are recorded in the auxiliary and self-funded activities fund(s), unless bond indenture requirements dictate alternate treatment.

Student "fees" and self-assessed graduating class "fees" collected as deposits held for others are generally recorded as a liability in the agency fund. If, however, the deposit is related to a function normally recorded in either an appropriated fund or a non-appropriated fund, the liability is recorded in the same fund.

Liabilities are recorded in the fund, which administers the activity.

Summer or Special Session Tuition & Fee Revenues and Expenses

The accrual basis of accounting is recognized by the National Association of College and University Business Officers (NACUBO) as a generally accepted accounting principle for institutions of higher education. The accrual basis of accounting requires that tuition and fee revenue be recognized when earned and that expenses be recognized when incurred. Some courses or sessions, such as summer sessions, are conducted over two fiscal years. The tuition and fees charged for these courses or sessions are often charged at the beginning of the session. As a result, the tuition and fee revenues must be prorated between the fiscal years in which they are earned.

Revenue

The summer or special sessions are the sessions that beginning after the end of the spring term, but prior to the fall term. One or more mini or special sessions may occur between the spring and fall sessions. At a minimum, the summer session will be treated as one period regardless of the number of and/or dates of mini or special sessions within that period. Revenue will be accrued based on the portion of time occurring before and after June 30 for the whole session. Optionally, mini or special session revenue may be accrued separately if the revenues are separately identifiable.

Charge-for-service auxiliary enterprise revenue corresponding to a summer academic term should be recognized in the year earned.

Expenses

Summer session expenses should be recognized when the expenses are incurred.

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TITLE: RECORDING AND REPORTING OF INDIRECT COST (FACILITIES AND ADMINISTRATIVE COST) REVENUES OF SPONSORED PROGRAMS

INTRODUCTION

The recognition of both direct and indirect costs (Facilities and Administrative Costs, F&A) associated with sponsored programs is essential. The revenues associated with these costs are an integral part of the funding structure of institutions and have become increasingly important to policy makers and financial statement users.

DEFINITIONS - Refer to OMB Circular A-21.

RECORDING OF DIRECT AND INDIRECT COST REVENUES

Colorado colleges and universities generally record revenues and expenditures related to sponsored programs in the restricted current funds. Revenues in these funds should be separately recorded by source (federal, state and local, nongovernmental grants or contracts). Expenditures are recorded by function (instruction, research, public service, institutional support, etc.). The initial recording of direct and indirect cost (F&A) revenues in the restricted current funds should follow the guidance provided in GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and Colorado Higher Education Accounting Standard #4, *Nonexchange Transactions*.

The expenses associated with indirect cost (F&A) charges to sponsored programs are generally recorded in the unrestricted current fund. Therefore, it is necessary to move the indirect cost (F&A) revenue recognized in the restricted current funds to the unrestricted current fund. In order to get indirect cost (F&A) revenues moved to the unrestricted current fund, a charge is made to the restricted current fund to reflect a fund deduction equal to indirect costs (F&A) borne by the unrestricted current fund. These revenues are then recorded in the unrestricted current fund.

REPORTING OF INDIRECT COST REVENUES

In order to prepare financial statements following the guidelines for special-purpose governments engaged only in business-type activities, pursuant to GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and Colorado Higher Education Accounting Standard #1, *Accrual Accounting and Financial Reporting*, institutions must eliminate the duplication of revenues and expenses. This is accomplished by eliminating the indirect cost (F&A) revenue recorded in the unrestricted current fund and the indirect cost (F&A) expenses recorded in the restricted current funds when funds are consolidated for financial reporting purposes. This entry must be posted to the State's accounting system prior to the final close each fiscal year. This financial statement entry should not increase or decrease net assets nor should it impact the classification of net assets between unrestricted and temporarily restricted. The purpose of this entry is to eliminate reporting indirect cost (F&A) revenue that is also reported as federal, state, local or nongovernmental grant or contract revenue and to eliminate indirect cost (F&A) expense that is also reported by function as academic support, institutional support, operations and maintenance of plant, etc. on the Statement of Revenues, Expenses and Changes in Net Assets.

The provisions of this Standard need not be applied to immaterial items. For further discussion of indirect costs (F&A), the NACUBO *Financial Accounting and Reporting Manual*, State of Colorado Fiscal Rules and applicable federal cost principles should be consulted.

EFFECTIVE DATE

This standard is effective for fiscal years beginning after June 30, 2001.

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	Approved: Arthur L. Barnhart Date: 5/9/00	

TITLE: NONEXCHANGE TRANSACTIONS

Governments engage in two types of transactions: (a) exchange transactions, in which each party receives and gives up essentially equal values, and (b) nonexchange transactions, in which a government gives (or receives) value without directly receiving (or giving) equal value in return. Statement No. 33 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Nonexchange Transactions*, establishes accounting and financial reporting standards for state and local governments with respect to nonexchange transactions.

Considering shared characteristics, nonexchange transactions are grouped into four classes which affect the timing of recognition of assets, liabilities, revenues and expenditures:

1. Derived tax revenues result from assessments imposed on exchange transactions. Examples include taxes on personal income, corporate income, and retail sales of goods and services. Assets are recognized when the underlying exchange transaction occurs or resources are received, whichever is first. Revenue is recognized when the underlying exchange transaction occurs and the resources are available.

    - No current applicability to higher education.

2. Imposed nonexchange revenues result from assessments imposed on nongovermental entities, other than assessments on exchange transactions. Examples include property taxes, fines and penalties, and property forfeitures. Asset recognition occurs when an enforceable legal claim exists or the resources are received, whichever is first. Revenue recognition occurs when use of the resources is required or first permitted and the resources are available.

    - Higher education examples include parking fines, late payment charges, late registration charges, bad check fees, room damage fines, library fines, forfeiture of room deposit, etc.

3. Government mandated nonexchange transactions occur when government at one level provides resources to a government at another level and requires that the resources be used for a specific purpose. Federal programs that state or local governments are mandated to perform is one example. Recipients recognize assets and providers recognize liabilities when the applicable eligibility requirements are met or resources are received, whichever is first. Revenues (recipients) and expenditures (providers) are

recognized when all applicable eligibility requirements are meet and the resources are available.

- State of Colorado programs that higher education institutions are required to perform do not qualify as nonexchange transactions because the transactions are within and between the same level of government.

4. Voluntary nonexchange transactions result from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties. Examples include certain grants, certain entitlements, and donations by nongovernmental entities. Assets (recipients) and liabilities (providers) are recognized when the applicable eligibility requirements are met or resources are received, whichever is first. Recipient revenues and provider expenditures are recognized when all eligibility requirements are met and the resources are available.

   - Higher education examples include institutional scholarships, tuition waivers or remissions, donations and gifts whether received directly or from the foundation, grants and/or contracts that do not produce a result or product, Pell Grants.

   - State appropriations (operating and capital), state financial aid, and state sponsored programs (grants) are not nonexchange transactions because this activity occurs within and between the same level of government.

   - Grants and/or contracts which qualify as nonexchange transaction and for which an institution receives advance funding require an accounting treatment in which revenue is deferred until the time or purpose requirements are met.

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ACCOUNTING STANDARDS	Revision Effective	07/01/01	
	Approved: Arthur J. Barnhart		Date: 4/30/01

TITLE: CAPITAL ASSET REPORTING

BACKGROUND AND PURPOSE

Governmental Accounting Standards Board (GASB) Statements 34 and 35 require that capital assets, other than land, non-depreciable land improvements, and non-depreciable works of art and historical treasures be depreciated over their estimated useful lives.

This standard provides direction on how to implement depreciation and how to report depreciation on the financial statements.

CAPITALIZATION CRITERIA

The following definitions of capital assets are provided to ensure uniform balance sheet reporting. An institution may select a minimum cost to be capitalized that does not exceed the amount stated in the definitions. Expenditures for capital assets that meet or exceed the established amount are to be capitalized in the plant fund.

<u>Capital Asset</u> - A capital asset is any physical resource that benefits a program with a useful life of more than one year. Capital expenditures include funds expended for land, improvements to land, buildings, leasehold improvements, equipment, and library books.

a) <u>Land</u> - Land includes the direct cost of acquisition, legal fees, site preparation costs, and the cost of demolishing unwanted structures on the land.

b) <u>Improvements to Land</u> - Improvements to land are improvements costing in excess of $50,000 including utility lines, streets, sidewalks, parking areas, etc. Buildings and additions to buildings are not classified as improvements to land. Depreciable and non-depreciable land improvements should be presented as separate lines on the financial statements.

c) <u>Buildings</u> - Buildings include all structural elements of the building with a cumulative cost in excess of $50,000, including the shells and components such as heating, air conditioning, elevators, and interest capitalized in accordance with Colorado Higher

Education Accounting Standard No. 12. Equipment that is merely attached or fastened to the buildings should be classified as equipment to the extent feasible.

d) Improvements to Buildings - This includes structural remodeling and additions to buildings that enhance or increase the useful life (but not to include routine maintenance and repair), cost in excess of $50,000 per project, and are completed subsequent to the original building construction. The institution must document what constitutes enhancement or life extension to the asset before a project is capitalized.

e) Leasehold Improvements - Permanent improvements made by the lessee to leased land or buildings should be capitalized if the cost of the improvement is in excess of $50,000.

At the expiration of the lease the lessor must record as "building improvements and capital grants and gifts" the fair market value of the improvements made by the lessee.

Ground leases should be capitalized by the lessee when the substance of the lease meets all three criteria for recognition as an asset as defined by the FASB Concepts Statement No. 6.

f) Equipment - Equipment includes tangible personal property that is not permanently built into a building, has not lost its identity through incorporation into a more complex unit, and has a unit cost that exceeds the lesser of the threshold set by the State Fiscal Rules or by institutional policy.

g) Library Materials and Collections - All library materials must be capitalized. This includes 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. There is no monetary threshold that must be met for library materials and collections to be capitalized.

h) Computer Software - Software expected to have a useful life of more than one year and meeting the institution's capitalization threshold criteria should be capitalized.

TITLE: CAPITAL ASSET REPORTING

i) Works of Art and Historical Treasures - Works of art, historical treasures and similar assets must be capitalized at their historical cost of fair market value at the date of donation (estimate if necessary) whether they are held as individual items or in a collection. Depreciable and non-depreciable works of art and historical treasures should be presented as separate lines on the financial statements.

DEPRECIATION METHODOLOGY

Useful Life - The State Controller has established asset useful lives that may be used when calculating depreciation. To the extent that an institution has documentation that supports different useful lives for assets, those lives may be used.

Works of Art and Historical Treasures - Capitalized collections or individual items that are exhaustible, such as exhibits whose useful lives are diminished by display, educational or research applications, should be depreciated over their estimated useful lives. Depreciation is not required for collections or individual items that are inexhaustible.

Depreciation Calculations - The straight line depreciation method will be used. Depreciation can be calculated for a group of assets such as all equipment acquisitions in a category with the same useful life and for all library acquisitions. When assets are depreciated as a group, an estimate of accumulated depreciation needs to be made for disposals.

Disposals - Depreciation must be calculated in the year an asset is disposed. Since library materials are capitalized and depreciated as a group, it may not be practical to identify cost and accumulated depreciation of individual catalogued items that have been sold or disposed. As an accounting convention, it will be assumed that sold/retired items are fully depreciated. Accordingly, any disposals will be costed at the average per unit cost of library materials that are fully depreciated.

TITLE: CLASSIFICATION OF EQUIPMENT EXPENDITURES

Original complement equipment funded by capital construction appropriations, by auxiliary enterprise unexpended plant funds, or by other unexpended plant funds will be reported only in the plant fund.

Equipment funded by repair and replacement plant funds will be reported only in the plant fund.

For acquisitions funded by current funds, the Audit Guide of Colleges and Universities states that the acquisition of equipment should be reflected as current fund expenditure in the case of normal replacement and as a current fund non-mandatory transfer to the unexpended plant fund for original equipment.

For applications at Colorado institutions, every equipment acquisition, excluding original complement equipment charged to unexpended plant funds, with a unit cost less than $50,000 will be considered a normal replacement and will be reflected as an expenditure in the current fund.

Equipment purchases with a unit cost of $50,000 or more will be reviewed to determine whether the acquisition represented original equipment or replacement of existing equipment. A replacement of equipment exists when there is a trade-in of similar equipment or when older equipment is permanently taken out of service by the institution. To be classified as a replacement, the new equipment should serve a function similar to the equipment replaced but it need not be identical to the equipment replaced. The new equipment may be more advanced, more efficient or have greater capabilities but still be a replacement. A substantial difference in cost would tend to indicate an acquisition of original equipment and not a replacement of existing equipment. Each acquisition of equipment should be recorded in its entirety as an expenditure or as a non-mandatory transfer.

All acquisitions of equipment in the current fund are capitalized in the investment in plant fund. All acquisitions of library books are to be classified as expenditures in the current fund and capitalized in the investment in plant fund.

Criteria for capitalization is found in Standard No. 5.

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TITLE: CASH, CASH EQUIVALENTS AND INVESTMENTS

I. STATEMENT OF NET ASSETS CAPTION - "CASH AND CASH EQUIVALENTS"

Accounting Standard No. 17, "Financial Statement Presentation," shows the appropriate caption on the Statement of Net Assets as "Cash and Cash Equivalents" or "Restricted Cash and Cash Equivalents."

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in checking accounts, cash with State Treasurer, savings accounts, certificates of deposit (disregarding maturity date) and other types of demand deposits with financial institutions.[1] Cash and cash equivalents may also include short-term, highly liquid investments. In general, only investments with original maturities of three months or less meet this criteria.[2] Cash and cash equivalents should be segregated between unrestricted and restricted cash and cash equivalents, as described in Section III below. The total reported as "cash and cash equivalents", both unrestricted and restricted, on the Statement of Net Assets should be readily traceable to the amount shown as "cash and cash equivalents" on the Statement of Cash Flows.[3]

An overdraft in one bank account should be properly offset by a balance in another bank account within the same financial institution if the bank, such as a part of a minimum balance requirement, does not legally restrict the balance available to offset the overdraft. Any bank overdraft that cannot be legally offset, as above, within the same financial institution should be included as a liability to the bank on the Statement of Net Assets. This presentation is also applicable to balances in Cash with State Treasurer accounts.

GASB Statement No. 31 applies to the Cash with State Treasurer balances. Unrealized gains/losses on the State Treasurer's pooled cash investments are to be recorded for financial statement presentation. For statewide reporting, the entries related to these gains/losses are to be made as a post-closing entry.

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1 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, Governmental Accounting Standards Board Statement No. 9, Norwalk, CT, September, 1989, footnote 5.*

2 *Ibid, paragraph 9.*

3 *Ibid, paragraph 8.*

II. *STATEMENT OF NET ASSETS* CAPTIONS - *"SHORT-TERM OR LONG-TERM* INVESTMENTS"

Accounting Standard No. 17, "Financial Statement Presentation," shows the appropriate captions on the Statement of Net Assets as "Short-term or Long-term Investments."

Investments

Investments may be either equity or non-equity investments. Examples could be bank acceptances, commercial paper, corporate bonds, corporate securities, repurchase agreements, reverse repurchase agreements, mutual funds, asset backed securities, mortgages or U. S. Government securities.

GASB Statement No. 31 requires investments to be reported at fair value in the Statement of Net Assets. Refer to the Statement for the few exceptions to this requirement. All investment income, including changes in the fair value of investments, should be recognized as revenue in the Statement of Revenues, Expenses and Changes in Net Assets. Unrealized gains/losses are to be recorded for financial statement presentation. For statewide reporting, the entries related to these gains/losses are to be made as a post-closing entry.

Investments should be classified on the Statement of Net Assets as short-term, long-term, or restricted investments. Short-term investments include all unrestricted investments maturing within one year. Long-term investments include all unrestricted investments maturing after one year and investments that are included in investment pools intended for long-term purposes and use. Restricted investments are described in Section III below.

III. STATEMENT OF NET ASSETS CAPTION - RESTRICTED CASH AND CASH EQUIVALENTS AND RESTRICTED INVESTMENTS

Accounting Standard No. 17, "Financial Statement Presentation," shows the appropriate captions on the Statement of Net Assets as "Restricted Cash and Cash Equivalents" and "Restricted Investments."

GASB STATEMENT NO. 34 requires that assets be reported as restricted "when restrictions (as defined in paragraph 34) on asset use change the nature or normal understanding of the availability of the asset."[4] Examples include cash and cash equivalents and/or investments of endowment funds and/or those restricted by bond covenants to pay noncurrent debt service. In general, restricted cash and cash equivalents and restricted investments are those that cannot be used to pay current liabilities and therefore should be reported as noncurrent assets on the Statement of Net Assets. The following provide authoritative guidance in this area:

[4] *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Governmental Accounting Standards Board Statement No. 34, Norwalk, CT, June, 1999, paragraph 99, pg. 34.*

GASB 34, paragraph 99
GASB 34 Implementation Guide, questions 82 and 209
ARB 43, chapter 3A, paragraph 6
NACUBO's GASB 35 Implementation Guide, question 20

FOOTNOTE DISCLOSURE REQUIREMENTS

Refer to Accounting Standard No. 13 for additional information on specific note disclosures and references.

TITLE: REPORTING STUDENT FINANCIAL AID AND SCHOLARSHIP ALLOWANCES

LOANS

Loans, which do not include the Federal Direct Loan Program and the Federal Family Education Loan Program (FFELP), are accounted for in separate funds called the loan funds group. The purpose of this fund group is to account for the resources available for loans to students for which the institution has collection responsibilities. This would normally mean that the student's promissory note is payable to the institution.

Loan funds are derived from many different sources such as:

1. Gifts of funds that are to be operated on a revolving basis, whereby repayments of principal and interest may be loaned to other individuals.

2. Gifts and grants which provide that, on repayment of principal and interest, the proceeds are to be refunded to the donors or grantors.

3. Endowment fund income restricted to loan fund purposes.

4. Refundable grants by the U.S. Government to be matched with institutional funds for loans to students.

5. Institutional funds transferred from current funds to match refundable U.S. Government grants.

6. Unrestricted current funds designated by the governing board to function as loan funds.

7. Income and gains from investments of loan funds.

8. Interest earned on loans.

9. Federal reimbursements returned to institutions for service cancellations.

FEDERAL DIRECT LOAN PROGRAM

The Federal Direct Loan Program was created under the Student Loan Reform Act of 1993 and signed into law in August 1993. These loans are disbursed by the College/University. However, the College/University is neither the lender nor a party in the promissory note, and therefore, it has no collection responsibilities. Correspondingly, repayments are not made to the institution to provide resources for loans to students.

NACUBO Advisory Report 2000-05 states that the institution serves only as a conduit for the Direct Lending program and classifies the Direct Lending Program as a balance-sheet-only transaction./1 The

NACUBO GASB 35 Implementation Guide supports this classification./2 Therefore, Direct Lending shall be accounted for as a deposit held in custody in the agency funds group.

FEDERAL FAMILY EDUCATION LOAN PROGRAM

The FFELP is very similar to the Direct Lending Program. The FFELP will continue to be accounted for in the agency funds group.

ASSISTANTSHIPS

Assistantships, like fellowships, usually include tuition remission for graduate students. Assistantships that require performance of services should be charged as benefit expenses of the department in which the work is performed, regardless of the basis on which recipients are selected. Assistantships that do not require the performance of services should be reported as scholarships and fellowships expense.

WORKSTUDY FUNDS

The Federal College Work Study Program is addressed in Accounting Standard #12.

SCHOLARSHIPS AND FELLOWSHIPS EXPENDITURE CATEGORY

Scholarships, often referred to as grants, are usually based on scholastic achievement and financial need. However, some scholarships are awarded for academic excellence or special talents in specific areas, regardless of financial need./3

Fellowships are a common form of aid awarded to graduate students and may pay all educational expenses as well as a stipend. Traditionally, applicants have not been required to demonstrate financial need to be eligible for fellowships. Scholastic excellence has been the primary criterion, but some institutions also consider need./3

The criteria to be used in determining which moneys to include in the "Scholarships and Fellowships" expenditure category are the following:

1. The moneys must represent expenditures of the Current Funds group.

2. To record a scholarship and fellowship expense the institution must have significant administrative or direct financial involvement with the funds that were used to make the award. The institution has administrative involvement if, for example, it (a) monitors secondary recipients for compliance with program-specific requirements, (b) determines eligible secondary-recipients, even if using grantor-established criteria, or (c) has the ability to exercise discretion in how the funds are allocated./4 An institution has direct financial involvement if, for example, it

is required by the grantor to finance some direct program costs or is liable for disallowed costs. Current financial reporting for PELL grants based on GASB 19 (that was superseded by GASB 35) is consistent with these requirements.

3. Third-party payments are not reported as scholarship and fellowship expenses. Third-party payments are payments received from a third-party that are applied directly to satisfy the charges of a specific student designated by the third-party. If the institution is not allowed to select the recipient of the award and does not have administrative or direct financial involvement (e.g., full year Colorado Fiscal Managers' Scholarship, or a check forwarded to a university from a community Rotary Club on behalf of a specific student), any amount not credited to the student's account should be reported as a deposit held in custody in the agency funds group. The amount credited to the student's account should not be reported as revenue and expenditure in any fund.

4. Payments to students are not reported as scholarship and fellowship expense if the recipients are required to render service to the institution as consideration for the award, or they are expected to repay the amount of the award to the funding source.

Aid to students in the form of tuition and fee remissions also should be included in the scholarship and fellowship expenditure category. However, remissions of tuition and fees granted because of faculty or staff status, or family relationship of students to faculty or staff should be recorded as staff benefit expenditures in the appropriate functional expenditure category./5

Trainee non-compensatory stipends awarded to individuals not enrolled in formal course work should be charged to Instruction, Research, or Public Service, as appropriate./5

The scholarship and fellowship expense reported will be net of any scholarship allowances. See the section below on Scholarship Allowances.

SCHOLARSHIP ALLOWANCES

Introduction

Paragraph 100 of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (as amended by GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities) states: "The operating statement for proprietary funds is the Statement of Revenues, Expenses and Changes in Fund Net Assets. Revenues should be reported by major source[41] and should identify revenues used as security for revenue bonds." Footnote 41 further states: "Revenues should be reported net of discounts and allowances with the discount or allowance amount parenthetically disclosed on the face of the statement or in a note to the financial statements. Alternatively, revenues may be reported gross with the related discounts and allowances reported directly beneath the revenue amount."

NACUBO Advisory Report 2000-05 – Accounting and Reporting Scholarship Discounts and Allowances to Tuition and Other Fee Revenues by Public Institutions of Higher Education defines discounts and allowances for purposes of GASB Statement No. 34, paragraph 100, footnote 41. All preparers of financial statements for public institutions of higher education should be fully knowledgeable of these two documents.

The impact of this requirement is that some transactions traditionally reported as scholarship and fellowship expense will now be reported as a reduction in certain types of revenue, up to a limit.

The following information is based on the NACUBO Advisory Report 2000-05 (the Advisory).

Scholarship Allowance Definition

A scholarship allowance is the difference between the stated charge for goods and services provided by the institution and the amount that is paid by students and/or third parties making payments on behalf of students. (paragraph 8)

Scholarship Allowance Determination

The Advisory provides guidance on calculating the scholarship allowance on a student-by-student basis or by using the Alternate Method. Colorado institutions should elect the method that is best for it.

Institutions choosing the student-by-student basis must assume that any scholarship and fellowship expense previously recorded as revenue and that is posted to a student's bill during the fiscal year, is applied against the total charges to the student for that fiscal year. See attachment A for an example student-by-student method.

The Alternate Method requires the calculation of total refunds made to students from all sources of funding (item E). Total refunds may include immaterial amounts for a dropped class or total withdrawal from the institution in addition to refunds for application of financial aid in excess of total charges. Material refunds for dropped classes or withdrawal from the institution should be excluded. Refer to the Advisory for an example of the Alternate Method.

Revenues to be Discounted

The types of revenue to be discounted are those material revenues that are charged to students and to which scholarship and fellowship financial aid is applied to relieve all or part of the accounts receivable generated from student charges. This typically will be, but is not limited to, tuition, fees and auxiliary enterprise revenue.

It may not be practical to identify each type of revenue student-by-student, when the alternate method has been used to determine the scholarship allowance. Therefore, scholarship allowances will be prorated across the material revenue categories generated by the student billing process and to which the student aid was applied to pay all or part of the student bill.

If the institution has elected the student-by-student method, the scholarship allowance should be applied:

- First to tuition and fees,
- Second to auxiliary enterprise revenue, and
- Third to other material revenues.

Charges Not Resulting in Revenue to the Institution

Some charges to the student's bill result in a credit to a liability rather than revenue. For example, the institution provides a health insurance program for the students. The insurance premium is added to the student's bill and insurance payable is credited. Amounts collected from the students are passed on to the insurance provider. The institution is merely a conduit for the student to pay the insurance premium. Since the insurance premium is added to the student's bill, student aid applied to the student's bill will relieve these charges rather than being paid directly by the student. This aid should be considered as a payment of aid to the student and not a scholarship allowance since the charges did not result in any revenue to the institution.

Timing of transactions

The Advisory states, "In considering what is or is not revenue, the following guiding rule applies: amounts received to satisfy student tuition and fees will be reported as revenue only once . . .." Based on this guidance, the scholarship allowance should be calculated assuming that any scholarship and fellowship financial aid that has previously been reported as revenue will be applied first against any student charges. Following NACUBO guidance, this assumption prevents a double reporting of revenue. For example:

Student A has charges of $1,000 on the bill. Student aid of $1,200 is applied to the student's bill resulting in an over application of $200. The $200 is paid to the student. This results in a scholarship allowance of $1,000 and scholarship/fellowship expense of $200.

Student B has charges of $1,000 on the bill. The student pays the bill in full. Student aid of $1,200 is later applied to the student's bill resulting in an over application of $1,200 since the student has already paid the bill in full and there are no outstanding charges on the student's bill. The $1,200 is paid to the student. This results in a $1,000 scholarship allowance and a scholarship/fellowship expense of $200. The assumption is that the refund includes $1,000 of the student payment and $200 of financial aid.

/1 NACUBO Advisory Report 2000-05, National Association of College and University Business Officers, Washington, D.C., 2000, Example Student V, and Alternate Method Item (A).

/2 GASB 35 Implementation Guide, National Association of College and University Business Officers, Washington, D.C., 2001, Question 83.

/3 College and University Business Administration - Fifth Edition, National Association of College and University Business Officers, Washington, D.C., 1992, Volume 3, Chapter 22, page 1152.

/4 Governmental Accounting Standards Board, (GASB) Statement No. 24 - Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, paragraph 5.

/5 Audits of Colleges and Universities, American Institute of Certified Public Accountants, New York, N.Y., 1993 Edition, Statement of Position 74-8, Page 62.

Attachment A
Example Student-by-student Method

1. Start with all student billing accounts for each term. These terms may not coincide with the exact fiscal year. For example, a traditional academic year may pick up terms spanning the months of June through May.

2. Eliminate all accounts, within a term, with no scholarship and fellowship financial aid applied. This eliminates term accounts with no financial aid of any kind, or those with only loans or 3rd party payments.

3. This now has reduced the scope of student accounts to only those (by term) with scholarship and fellowship financial aid transactions. This represents accounts with financial aid that would have been previously recorded as revenue on the accounting records. This would include activity such as Pell Grants, SEOG, state student aid, institutional scholarships, and Foundation scholarships.

4. A report is generated with the following columns.

Student ID	Last Name	Term Code	Total Charges	Total Financial Aid	Scholar Allow	Tuition & Fees	Auxiliary Charges

5. The Total Charges are the student charges that generated revenue to the institution. This would typically include tuition, mandatory fees, matriculation fee, room, board, special course fees, and continuing education tuition and fees. Do not include charges that generated a liability to the institution such as for health insurance. These should be net of any revenue refunds.

6. The Total Financial Aid is the scholarship and fellowship financial aid expense applied to each student account for items such as Pell Grants, SEOG, state student aid, institutional scholarships, and Foundation scholarships. These are financial aid amounts previously recorded as revenue on the accounting records. These should be net of any adjustments for changes in financial aid.

7. The "Scholarship Allowance" column is simply the lesser amount for each student of "Total Charges" or "Total Financial Aid."

8. The "Tuition & Fees" column adds the total tuition and fees revenue charges (net of refunds and other adjustments) and compares that total to the "Scholarship Allowance" amount. The lesser amount is put in the "Tuition & Fees" column.

9. Any remaining amount of "Scholarship Allowance" over "Tuition & Fees" is then put in the "Auxiliary Charges" column.

TITLE: STATE APPROPRIATIONS

The "Long Bill" and special bills should be recorded in the accounting records of each college or university and be reconcilable to categories reflected in the state accounting system.

General fund appropriations should be reported under "Nonoperating Revenues" by each institution on its Statement of Revenues, Expenses and Changes in Net Assets. Any general fund appropriation not transferred from the State at the end of the fiscal year should be recorded on the financial statements of the college or university as a receivable from the State.

Transfers (which do not include allocations of spending authority) between higher education institutions and their governing boards should be reported as nonoperating revenues or expenses on the institution's stand alone Statement of Revenues, Expenses and Changes in Net Assets. Transfers-in should be netted against transfers-out and the resulting balance shown as nonoperating revenue or expense. At the consolidated or combined level these transfers should balance to zero - and therefore would not be reported on the system's or board's consolidated statements – except that transfers between the Auraria Higher Education Center and its constituent institutions will not balance to zero within each respective system or board.

State capital construction and controlled maintenance appropriations should be recognized on the Statement of Revenues, Expenses and Changes in Net Assets beneath nonoperating revenues and expenses as capital contributions only to the extent expended for project capital asset acquisition or construction and related expenses, recorded in the COFRS 461 fund. This includes project capital expenditures and expenses recorded for Americans with Disabilities Act projects. Any unexpended appropriation should not be shown on the financial statements, but may be disclosed by note.

The amount considered expended shall include the retainage approved by the institution but not paid until completion of the project. The liability associated with retainage amounts should be recorded only in the fund (state capital construction fund or higher education discrete plant fund) where the liability will ultimately be liquidated. Retainage payable should be reported on the Statement of Net Assets as a current liability, to the extent that it is expected to be paid within the next reporting period, or as a noncurrent liability, if payment is not expected to be made within the next year. Institution's should refer to the State Controller's Office, Capital Construction Manual, for the appropriate internal accounting practices for state capital construction and controlled maintenance appropriations.

As with other construction projects, assets arising from state capital construction and controlled maintenance projects should be capitalized according to the capitalization policies provided in Colorado Higher Education Accounting Standard #5, Criteria for Capitalization. Until the assets are placed in service, the amount expended should be recorded as Construction in Progress and reported as a noncurrent asset on the Statement of Changes in Net Assets.

TITLE: STATE APPROPRIATIONS

Controlled maintenance may be funded by the State but not appropriated to the college or university. Upon notification that a controlled maintenance project has been completed on behalf of a college or university, the institution should capitalize the resulting assets, following the criteria in Standard #5 Expenditures for centrally administered projects that are not capitalized per Standard #5 should not be recorded and reported on the institution's financial statements. Controlled maintenance projects under $50,000 are included in the statewide indirect cost plan and should not be included in the institution's indirect costs. Note disclosure is required per Higher Education Standard #13.

TITLE: Recording Internal Service Center Activity

An Internal Service Center (ISC) provides a specific type of service to various institutional departments rather than to individuals and is supported by internal charges to the user department's operating budget. Costs associated with these services are accumulated and billed from the ISC to the user in proportion to specific usages. Examples are motor pool, computer center, animal care services, printing, physical plant work orders, etc.

Conversely, the cost of general service, which is not practical to allocate to a specific user or job, is not an ISC activity and should be included in institutional general and administrative cost. Examples are purchasing, personnel, payroll, custodial, utilities, etc.

FISCAL MANAGEMENT

The accounting should be on an accrual basis with charges billed when services are rendered and expenses recorded when incurred. All accounts should be included which are necessary to produce an accurate statement of the results of financial operations and a fair presentation of financial position.

All costs associated with the service operation, which are funded by the service operation, are recorded in the ISC's accounts.

The following items should not be included as a cost of operation:

- Amounts provided as a reserve for contingencies.
- Amounts for the repayment of advances.
- The cost of inventory on hand and equipment cost not depreciated through the current year is deferred to future jobs.

Billings to users should recover all costs incurred in connection with specific jobs. These costs include direct labor and materials as well as an allocation of direct and indirect costs incurred directly by the ISC as a whole, such as supervisory and clerical salaries related only indirectly to specific jobs. Billings should also include proportionate charges for depreciation of equipment funded by the service center and used in its operation. Rates charged to institutional users should be uniform.

TITLE: Recording Internal Service Center Activity

The objective of an ISC is to recover the complete cost of operations, including overhead, without producing any significant amount of profit in the long run. Over and under recovery of cost should be corrected by adjusting billing rates in the next year as required.

Records must be maintained which support the rate charged and the authorization of the service. The records should be kept at least long enough to satisfy audit and record retention requirements.

Sales to non-university users, other than State and Federal agencies, may include a profit. If this profit is material in amount, it may be transferred from the ISC instead of being used to reduce user rates.

ISC activity should be included in the Current Unrestricted Fund. Services and materials obtained by other institutional departments from an ISC should be recorded as expenditures by those departments just as if they had been obtained from sources outside the institution. Over and under recovery of cost in the ISC, whether credit or debit, should be reported under the institutional support expenditures classification.

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ACCOUNTING STANDARDS	Revision Effective 07/01/01	
	Approved: Arthur J. Barnhart	Date: 3/9/01

TITLE: COLLEGE WORK STUDY PROGRAMS

College work study programs are funded by the federal and state governments through grants to individual institutions for the sole purpose of providing employment to qualified students. Work study programs differ from other types of student aid in that the student is required to perform a service in return for compensation. The federal and state governments finance a percentage of the program cost while the institution must fund the remaining percentage from its sources. The federal program also provides for government reimbursement of administrative expenses based on a percentage of wages paid during the year.

To the extent that the federal or state grants fund the student wages and benefits incurred under the programs, the college or university should record grant revenue. The revenue recognized should be reported under "Federal or State Grants and Contracts" on the Statement of Revenues, Expenses, and Changes in Net Assets.

The corresponding wages and benefits paid or accrued for students employed through these programs should be recorded as student salary/wages and benefit expenses within the appropriate functional classification, such as instruction, research, etc.

The administrative allowance should be recorded as prescribed in Colorado Higher Education Accounting Standard #3, *Recording and Reporting of Indirect Cost (Facilities & Administrative Cost) Revenues of Sponsored Programs*.

TITLE: REPORTING AND DISCLOSURES OF RELATED FOUNDATIONS AND CORPORATIONS

The financial statements for all Colorado institutions of higher education shall disclose the existence, relationships, transactions, the roll and mission of all related foundations and corporations as defined by FASB Statement #57. Such disclosures should take the form of an appropriate footnote within the financial statements of the institution.

The disclosure should also include the most recent financial statements, audited if available, or the corporation or foundation in full or condensed form. Footnotes and supplemental information need not be included.

Institutions may elect to provide additional narrative information in lieu of including the corporation's or foundation's financial statements in the footnote. The additional information in the narrative should include;

a. Description of the appointing process for the officers of the foundation.

b. Description of how many employees of the institution are or can be officers of the foundation.

c. Information on the major sources of the foundation's revenues.

d. Information on the support, direct and indirect, provided by the foundation to the institution.

e. Description of any debt the foundation has incurred to provide buildings, equipment, or other goods or services for the institution's use.

f. Description of the amount of cash, investments and other assets owned by the foundation.

g. Information on where a financial statement user can obtain a copy of the most recent financial statement of the corporation or foundation.

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	Approved by: Arthur J. Barnhart	Date 4/17/02

TITLE: FINANCIAL STATEMENT PRESENTATION

State of Colorado colleges and universities follow the reporting guidance for special purpose governments engaged only in business-type activities (BTA model), in accordance with the accounting principles promulgated by the Governmental Accounting Standards Board and the Colorado Higher Education Accounting Standards Committee. The basic financial statements and required supplemental information include:

A. Management's Discussion and Analysis (MD &A)
B. Statement of Net Assets (SNA)
C. Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA)
D. Statement of Cash Flows
E. Notes to Financial Statements.
F. Other Required Supplemental Information, if applicable.

The attached examples of financial statements (noted above) are intended to represent guidelines for financial reporting, but do not preclude the use of additional statement lines or supplemental statements to assist in further evaluation of activity, achievements, and overall operations of the institution. Lines with values that are zero may be omitted or lines with values that are immaterial may be combined with other lines. For those statement lines where authoritative literature provides alternative display options, institutions may elect to display those lines in a different manner than that shown in the attached examples, unless otherwise noted in this standard.

Prior year comparable data will not be presented on the June 30, 2002 financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The basic financial statements should be preceded by MD&A, which is required supplementary information (RSI). MD&A should provide an objective and easily readable analysis of the institution's financial activities based on currently know facts, decisions, or conditions. The financial managers of institutions are knowledgeable about the transactions, events, and conditions that are reflected in the institution's financial report and of the fiscal policies that govern its operations. MD&A provides financial managers with the opportunity to present both a short- and a long-term analysis of the institution's activities.

MD&A should discuss the current-year results in comparison with the prior year, with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information. (GASB 34, ¶8-11; GASB 37, ¶4-5)

STATEMENT OF NET ASSETS

A "net assets" format (assets less liabilities equal net assets) is required. Assets and liabilities should be presented in a classified format (current and non-current), generally in the order of liquidity.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The SRECNA should be presented using the all-inclusive format as required by Governmental Accounting Standards Board for proprietary funds. Revenues should be reported by major source, net of discounts and allowances. Revenues used as security for revenue bonds must be identified. Operating expenses should be reported by function, with depreciation expenses reported as a separate line under operating expenses. The attached example illustrates this format.

For the purpose of distinguishing operating revenues and expenses from non-operating revenues and expenses, colleges and universities should follow the following guidelines:

Operating revenues and expenses generally result from providing goods and services for instruction, research, public service or related support services to an individual or entity separate from the institution.

Non-operating revenues and expenses are those not included as operating revenues/expenses or other revenues/expenses. Revenues from state appropriations are also non-operating revenue (as defined by GASB 35, ¶52).

Examples of Non-operating Revenues include, but are not limited to: investment income and insurance reimbursement revenue.

Examples of Non-operating Expenses include, but are not limited to: interest expense on capital debt and investment expenses.

Other revenues, expenses, gains, losses, and transfers include state capital construction and controlled maintenance appropriations, gifts and grants primarily designated for capital purposes, additions to permanent and term endowments, special and extraordinary items, and transfers.

STATEMENT OF CASH FLOWS

A Statement of Cash Flows must be presented following the guidelines in GASB 9, as amended. Cash flows must be reported using the direct method format. An institution may indirectly determine the direct method cash flows from operating activities reported on the Statement of Cash Flows.

For the purpose of distinguishing cash flows from operations from other types of cash flows on the cash flow statements, colleges and universities should use the following definition:

> Cash flows from operations generally result from providing goods and services for instruction, research, public service, or related support service to an individual or entity separate from the institution. Other cash flows are those specifically defined as cash flows from non-capital financing transactions, capital and related financing transactions, or investing transactions (see GASB 9). State appropriations are reported as Non-Capital Financing Activity. In the event that an item does not appropriately fit into one of the defined categories, it should be placed into "Cash Flows from Operations."

The descriptive lines used on the attached example of the Statement of Cash Flows are appropriate for the stand alone financial statements prepared by the college, university, or system. The descriptive lines used by the State of Colorado in its Comprehensive Annual Financial Report are not necessarily the same.

The reconciliation of operating income to net cash provided by operating activities is an integral part of the Cash Flow statement and must be included with the statement in accordance with GASB 9. It is important to note receipts or disbursements may be categorized as non-operating on the SRECNA, but included under operating on the cash flow statement. Conversely, some operating items on the SRECNA may be categorized as non-operating on the cash flows. See GASB 9.

SPECIFIC REPORTING GUIDELINES

STATEMENT OF NET ASSETS

A. Cash and Cash Equivalents – See Standard No. 7.

B. Short-Term and Long-Term Investments – See Standard No. 7.

C. Restricted Cash and Cash Equivalents – See Standard No. 7.

D. Restricted Investments – See Standard No. 7.

E. Capital Assets. Capitalization criteria and depreciation methodology are outlined in Standard No. 5. Capital assets, subject to depreciation, should be reported separately from capital assets that are not subject to depreciation. Depreciable capital assets should be reported net of accumulated depreciation with the amount of accumulated depreciation reported parenthetically on the face of the SNA.

F. Compensated Absences. See Standard No. 18.

G. Net Assets. See GASB 34 paragraph 32-37; GASB 34 Implementation Guide, Questions and Answers 85-102; and NACUBO's GASB 35 Implementation Guide, Questions and Answers 25-27. Net Assets should be presented as shown on the example of the SNA included in this Standard.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

A. Operating Revenues. See the discussion above on "Operating revenues and expenses".

B. Scholarship Allowances. See Standard No. 8. Revenues subject to scholarship allowances should be reported net of scholarship allowances. The amount of the scholarship allowance should be reported parenthetically with the associated revenue on the face of the SRECNA.

C. Tuition and Fees. See Standard No. 2.

D. Operating Expenses. Operating expenses should be reported by function.

E. Scholarships and Fellowships. See Standard No. 8.

F. Depreciation Expense. Depreciation expense should be reported on a separate line within operating expenses.

G. State Appropriations. See Standard No. 9.

H. Non-operating Revenues/Expenses. See the guidelines above.

I. Other Revenues, Expenses, Gains, or Losses. See the guidelines above.

STATEMENT OF CASH FLOWS

A. Cash and Cash Equivalents. Cash and cash equivalents reported on the Statement of Cash Flows should include both unrestricted and restricted cash and cash equivalents.

B. Sales of Product. This line item includes all cash receipts from activities or entities that carry an inventory with the exception of cash receipts from meal plans. Cash receipts from meal plans should be classified as Sales of Service.

C. Student Loans Disbursed and Collected. It is not necessary to report the cash flows from short-term loans separately from the cash flows associated with long-term loans. Short-term and long-term loan cash flow activity may be combined, at the discretion of the college or university.

D. Payments to or for Employees. This line item includes payments to or for employees for salaries and benefits, such as health and life insurance and retirement plan contributions. This excludes payments for worker's compensation and unemployment insurance.

E. Grants and Contracts. Grants and contracts that are for specific activities that are considered to be operating activities of the college or university and are not specifically restricted for capital acquisitions should be reported as Cash Flows from Operations. Grants or contracts that are specifically restricted for capital acquisitions should be reported as Cash Flows from Capital and Related Financing.

F Gifts. Gifts that are specifically restricted for endowments should be reported as Cash Flows from Non-Capital Financing Activities. Gifts that are specifically restricted for capital acquisitions should be reported as Cash Flows from Capital and Related Financing. Gifts that are not specifically restricted may be reported either as Cash Flows from Operations or Cash Flows from Non-Capital Financing Activities as appropriate.

NOTES TO FINANCIAL STATEMENTS – See Standard No. 13.

EXAMPLE
STATEMENT OF NET ASSETS

CLASSIFICATION	GENERAL DEFINITION
Current Assets	Cash or assets that are expected to be converted into cash, consumed, or will incur a related expense within one year.
Cash & Cash Equivalents	
Short-term Investments	Maturing within one year
Student Accounts Receivable, Net	Due within one year
Other Accounts Receivable, Net	Due within one year
Student Loans Receivable, Net	Due within one year
Notes Receivable, Net	Due within one year
Inventories	
Prepaid Expense	Expense to be incurred within one year
Other Current Assets	
Total Current Assets	
Non-current Assets	Capital assets or assets that are expected to be converted into cash, consumed, or will incur a related expense after one year. May also be an asset not available for use within one year.
Restricted Cash & Cash Equivalents	See discussion in Standard #7
Restricted Investments	See discussion in Standard #7
Other Accounts Receivable, Net	Due after one year
Student Loans Receivable, Net	Due after one year
Notes Receivable, Net	Due after one year
Long-term Investments	Maturing after one year
Prepaid Expense	Expense to be incurred after one year
Other Non-current Assets	
Non-depreciable Capital Assets:	Land, Construction in Progress, Collections, etc. (Q&A #32 & #34)
Land	
Land Improvements	
Construction in Progress	
Collections	
Total Non-depreciable Capital Assets	

Depreciable Capital Assets, Net: Buildings, Equipment, etc. (Q&A #34)
- Land Improvements (Less Accumulated Depreciation of $XXX)
- Buildings and Improvements (Less Accumulated Depreciation of $XXX)
- Leasehold Improvements (Less Accumulated Depreciation of $XXX)
- Equipment (Less Accumulated Depreciation of $XXX)
- Collections (Less Accumulated Depreciation of $XXX)
- Library Materials (Less Accumulated Depreciation of $XXX)

Total Depreciable Capital Assets, Net
Total Non-current Assets

Total Assets

Current Liabilities	Amounts due and payable within one year or deferred revenue to be earned within one year.
Accounts Payable	Due within one year
Accrued Liabilities	Due within one year
Deferred Revenue	To be earned within one year
Deposits Held for Others	Expected to refund or be used within one year
Bonds Payable, Current Portion	Due within one year
Capital Leases Payable, Current Portion	Due within one year
Other L/T Liabilities, Current Portion	Due within one year
Compensated Absence Liabilities	Expected to be paid within one year (Q&A #83)
Total Current Liabilities	
Non-current Liabilities	Amounts due and payable after one year or deferred revenue to be earned after one year.
Deferred Revenue	To be earned after one year
Bonds Payable	Due after one year
Capital Leases Payable	Due after one year
Other L/T Liabilities	Due after one year
Compensated Absence Liabilities	Expected to be paid after one year
Total Non-current Liabilities	

Total Liabilities

Net Assets	See "Specific Reporting Guidelines" for the Statement of Net Assets, Item G. above.
Invested in Cap Assets, Net of Related Debt	
Restricted for Nonexpendable Purposes:	
(Separate by Major Categories)	
Restricted for Expendable Purposes:	
(Separate by Major Categories)	
Unrestricted	
Total Net Assets	

NOTES:

1.) The authority for these classifications and general definitions is from AICPA Accounting Research Bulletin (ARB) 43, Chapter 3A, FASB Statement 78, GASB Statement 34 paragraphs 97-99, GASB Statement 35 Appendix D, and GASB Statement 34 Implementation Guide - Questions & Answers (Q&A #32 - #35, #81 - #102, and #207 - #209.)

2.) Institutional monies on deposit with the Colorado State Treasury will be reported as a current asset in "Cash and Cash Equivalents." This is consistent with financial statement reporting prior to GASB 34/35.

3.) Student Accounts Receivable and Other Accounts Receivable categories may be presented separately or combined as Accounts Receivable.

4.) Student Loans Receivable and Notes Receivable categories may be presented separately or combined as Loans and Notes Receivable.

5.) Depreciable capital assets must be presented separately from non-depreciable capital assets (GASB 34 Implementation Guide, Q&A 34) but, the level of detail presented is optional.

EXAMPLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

CLASSIFICATION	GENERAL DEFINITION
REVENUES	
Operating Revenues	
Student Tuition and Fees (including $ of revenues pledged for bonds and net of scholarship allowances of $)	
Patient Services (net of charity care of $)	
Grants and Contracts	Federal, State, Local, and Nongov grants and contracts are combined. Excludes capital grants. Includes U.S. Government Advances and State Student Aid Revenue.
Gifts	
Sales and Services of Educational Activities	
Auxiliary Enterprises (including $ of revenues pledged for bonds and net of scholarship allowances of $)	Must disclose the pledged revenues per GASB 34, paragraph 100. Include Auxiliary and Self-Funded Activities
Other Operating Revenues	
Total Operating Revenues	
EXPENSES	
Operating Expenses:	
Instruction	
Research	
Public Service	
Academic Support	
Student Services	
Institutional Support	
Operation and Maintenance of Plant	
Scholarships and Fellowships	
Auxiliary Enterprises	
Hospitals and Clinics	
Depreciation	
Total Operating Expenses	
Operating Income (Loss)	
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	Excludes revenues from CCHE for State Student Aid
Gifts	
Investment Income (net of investment expense of $)	

Interest Expense on Capital Debt
Other Non-operating Revenues
Net Non-operating Revenues
Income before other revenues, expenses, gains, or losses

Other Revenues, Expenses, Gains, Losses, or Transfers
State Capital Contributions
Capital Grants
Capital Gifts
Additions to Permanent Endowments
Gain or Loss on Disposal of Assets
Transfer (To)/From Governing Boards or Other Institutions
Increase (Decrease) in Net Assets

NET ASSETS
Net Assets - Beginning of Year, as Originally Reported
Cumulative Effect of Change in Accounting Principle
Net Assets – Beginning of Year, Restated
Net Assets - End of Year

NOTES:

1.) Interest on Loans Receivable is included in "Other Operating Revenue." (Making loans to students is an operating activity.)

2.) Loan cancellations, administrative and collection costs are included in "Operating Expenses - Institutional Support."

3.) The noncapitalized portion of amounts expended for plant facilities shall be included in the appropriate operating expense category.

4.) Disclosure must be presented on any revenue line that includes revenues used as security for revenue bonds. The amount used as security, or pledged, must be disclosed.

5.) The AICPA Industry Audit Guide for College and Universities and the NACUBO Financial Accounting and Reporting Manual (FARM) will continue to provide the guidance for defining the revenue and functional expense categories included in the SRECNA.

Example
Statement of Cash Flows
For the Year Ended June 30, 200x

Cash Flows from Operating Activities

Cash Received:

Tuition and Fees

Student Loans Collected

Sales of Product

Sales of Service

Grants, Contracts and Gifts

Other Operating Receipts

Cash Payments:
Scholarships Disbursed

Student Loans Disbursed

Payments to or for Employees

Payments to Suppliers

Other Operating Payments

Net cash provided (used) by operating activities

Cash Flows from Non-Capital Financing Activities

State Appropriations – Non-capital

Gifts/Grants for Other than Capital Purposes

Agency (Direct Lending inflows)

Agency (Direct Lending outflows)

Other Agency (inflows)

Other Agency (outflows)

Transfers (to)/from other campuses, board, or institution

Net cash provided (used) by non-capital financing activities

Cash Flows from Capital and Related Financing Activities

State Appropriations – Capital

Capital Grants, Contracts and Gifts

Proceeds from Capital Debt

Proceeds from Sale of Capital Assets

Acquisition and Construction of Capital Assets

Principal Paid on Capital Debt

Interest on Capital Debt

Net cash provided (used) by capital and related financing activities

Cash Flows from Investing Activities:

Proceeds from sale & maturities of investments

Investment earnings (interest, dividends)

Purchase of Investments

Net cash provided (used) by investing activities

Net Increase (Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents at the Beginning of the Year

Cash and Cash Equivalents at the End of the Year

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income (loss)
(See Notes Below).

Operating Income (Loss)

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation

Provision for uncollectible accounts

Changes in assets and liabilities

Other reconciling items.

Net Cash Provided by Operating Activities

Noncash Investing, Capital, and Financing Activities.

A description of any significant noncash transactions would appear here.

Notes:

1) Receipts or disbursements may be categorized as non-operating on the SRECNA, but included under operating in cash flows. Conversely, some operating items on the SRECNA may be categorized as non-operating on the Statement of Cash Flows.

TITLE: COMPENSATED ABSENCES FOR ANNUAL AND SICK LEAVE

Statement No. 16 of the Governmental Accounting Standards Board, titled "Accounting for Compensated Absences," requires the accrual of a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. More specifically, annual leave and sick leave benefits should be accrued as stated below.

ANNUAL LEAVE

Annual leave should be accrued as a liability, as the benefits are earned by-employees, if both of these conditions are met:

1) The employees' rights to receive compensation are attributable to services already rendered.
2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

SICK LEAVE

A liability for sick leave should be accrued for those employees who are either currently eligible or who are expected to become eligible to receive cash payments conditioned on the employees' termination or retirement. Sick leave accumulations should be reduced to the maximum amount allowed as a termination payment. It should be kept in mind that GASB No. 16 concerns itself only with financial statement presentation and does not require institutions to maintain records on an accrual basis.

The accumulated liability for annual and sick leave should be recorded in the current funds using the title Compensated Absence Liability. The liability recorded in the auxiliary and self-funded fund group shall only include the liability incurred in that fund group. A liability may be recorded in the restricted fund but only to the extent such liability can be expected to be paid from existing restricted fund resources. The liability recorded in the current unrestricted funds category shall include the balance of the institutional liability. The effect of the change on the current unrestricted fund balance caused by recognition of such a liability may be offset in whole or in part by a receivable in the current unrestricted fund only if (1) unrestricted assets are available for permanent transfer from other funds and (2) payment (or settlement by other means) to the current unrestricted fund is expected within a reasonable period of time.

The following factors should be considered when estimating the total compensated absence liability for accrued annual and sick leave:

TITLE: COMPENSATED ABSENCES FOR ANNUAL AND SICK LEAVE

1) The compensated absences liability should be calculated based on the pay or salary rates in effect at the financial statement date. The liability may be determined by using an averaging technique for a group of individuals when that calculation results in a reasonably accurate estimate.

2) The accounting for sabbatical leave depends on whether the compensation during the sabbatical is for service during the period of leave or for past service. If the sabbatical leave is granted so that employees can perform research, public service, or can obtain additional training to enhance the reputation of or otherwise benefit the employer, then the costs associated with the sabbatical leave should be accounted for during the period of leave, in the same manner as other salary and benefit expenses. If the sabbatical leave is granted as compensated unrestricted time off, then a compensated absence liability should be accrued during the periods the employees earn the right to the leave.

3) The annual leave accrual should include the employer's share of PERA (or an optional retirement program) and the employer's share of Medicare taxes.

4) Sick leave is vested for the portion of sick leave accrued and payable upon retirement, in accordance with the applicable policy at the institution. For example, this liability may be computed as total sick leave accrued (computed the same as annual leave) X 25% (vested portion) X percent of current employees who will retire according to PERA (to be provided by the State Controller's Office annually). **The sick leave accrual does not include the employer's share of PERA (or an optional retirement program) and Medicare taxes.**

5) When comparative financial statements are presented, a compensated absences liability must be computed for all years presented and disclosed in the notes to the financial statements. The suggested note format is shown below:

NOTE X - COMPENSATED ABSENCES FOR ANNUAL AND SICK LEAVE. College (or University) employees accrue annual and sick leave based upon length of service but subject to certain limitations regarding the amount that will be paid upon termination. The estimated total liability for compensated absences at June 30, 200Y and 200X is $ and $, respectively. Operating expenses for the years ended June 30, 200Y and 200X include $ and $ for the increase (decrease) in the estimated compensated absence liability.

6) The entries to record compensated absences should be recorded as of year-end. The following example entry assumes a year-end adjustment to increase the liability. Decreases in the given functional area would result in a credit to the expense account.

Functional Area Expense - Compensated Liability Increase	$XX	
Current Compensated Absence Liability - Annual Leave		$XX
Current Compensated Absence Liability - Sick Leave		$XX
Non-Current Compensated Absence Liability - Annual Leave		$XX
Non-Current Compensated Absence Liability - Sick Leave		$XX
Fund Balance - Compensated Absence Liability	$XX	
Fund Balance - Unrestricted		$XX

To record current year changes in institutional compensated absence liability.

CLASSIFICATION OF COMPENSATED ABSENCE LIABILITIES ON THE STATEMENT OF NET ASSETS

Institutions should determine the compensated absence liability assuming last-in-first-out (LIFO) usage of earned hours. In general under the LIFO assumption, the leave to be taken in the following year has not yet been earned at June 30. The exception is for those individuals who will take leave in excess of the amount earned; however, that amount is not estimable. As a result, the only of the compensated absence liability that should be recorded as current is the portion of the higher of the institution's historical annual amount of separation payouts or the known amounts of separation payouts. The remaining balance of the compensated absence liability should be recorded as long-term. The current and long-term portions of the liability should be classified as current and non-current, respectively, on the Statement of Net Assets.