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I. CHAPTER 4 – FUND AND REVENUE ACCOUNTING

The purpose of this chapter is to provide an overview of the fundamentals for the higher education basic fund accounting and financial reporting structure required by Generally Accepted Accounting Principles (GAAP) and to which the university is audited. This will provide a context for understanding how the Finance System general ledger and chart of accounts are set up to meet these requirements, and why it is necessary to do certain things in university accounting.

Since the basic fund accounting is driven by the need to classify resources, this chapter also covers revenue accounting.

II. PERTINENT GUIDELINES AND REGULATIONS

A. GAAP

The University of Colorado's (CU) independent auditor's unqualified opinion for fiscal year ended 2009 reads:

> In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University of Colorado as of June 30, 2009 and 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with U.S **generally accepted accounting principles** [emphasis added].

Generally accepted accounting principles (GAAP) is a technical accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. Those conventions, rules, and procedures provide a standard by which to measure financial presentation.

The Governmental Accounting Standards Board (GASB) is the independent, not-for-profit organization formed in 1984 that establishes and improves financial accounting and reporting standards for state and local governments, including public universities. In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The Statement incorporates the hierarchy GAAP for state and local governments into the GASB's authoritative literature. Prior to GASB Statement 55, the GAAP hierarchy was set forth in the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards (SAS) No. 69, *The Meaning of* Present Fairly in Conformity With

Generally Accepted Accounting Principles, rather than in the authoritative literature of the GASB. Statement 55 moves relevant portions of that SAS to the GASB literature without substantive changes.

The conventions, rules, and procedures applicable to CU are comprised of authoritative guidance from various sources such as the GASB, the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB), the National Association of College and University Business Officers (NACUBO), the Office of State Controller, etc. Each of these organizations issues various documents with differing levels of authority such as official statements, interpretations, implementation guides, fiscal rules, accounting standards, etc. Statement 55 provides a GAAP Hierarchy establishing the priority of these documents so that we know what level of importance to place on each. The Statement 55 GAAP Hierarchy Summary in priority order for state and local governments, including public institutions of higher education, is:

1. Officially established accounting principles consisting of GASB Statements and Interpretations.
2. GASB Technical Bulletins and, if specifically made applicable to state and local governmental entities by the AICPA and cleared by the GASB, AICPA Industry Audit and Accounting Guides, and AICPA Statements of Position.
3. AICPA Practice Bulletins if specifically made applicable to state and local governmental entities and cleared by the GASB, as well as consensus positions of a group of accountants organized by the GASB that attempts to reach consensus positions on accounting issues applicable to state and local governmental entities. (As of the date of the Statement, such a group had not been organized.)
4. Implementation guides (Q&As) published by the GASB staff, as well as practices that are widely recognized and prevalent in state and local government.
5. Other accounting literature including GASB Concepts Statements; pronouncements referred to in the above categories of the GAAP hierarchy for nongovernmental entities if not specifically made applicable to state and local governmental entities by the GASB; FASB Concepts Statements; Federal Accounting Standards Advisory Board (FASAB) Statements, Interpretations, Technical Bulletins, and Concepts Statements; AICPA Issues Papers; International Public Sector Accounting Standards of the International Public Sector Accounting Standards Board or International Financial Reporting Standards of the International Accounting Standards Board, or pronouncements of other professional associations or regulatory agencies; Technical Information Service Inquiries and Replies

included in AICPA Technical Practice Aids; and accounting textbooks, handbooks, and articles. The appropriateness of other accounting literature depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. For example, GASB Concepts Statements would normally be more influential than other sources in this category.

B. Higher Education Financial Reporting GAAP

For CU, GASB Statement No. 15, *Governmental College and University Accounting and Financial Reporting Models* sets the basic financial statement model through June 30, 2001 (fiscal year 2001). Under the authority of this Statement, the State Controller elected to have Colorado institutions follow the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, as amended by AICPA Statement of Position (SOP) 74-8, *Financial Accounting and Reporting by Colleges and Universities*. The *Audit Guide* was originally issued in 1973. It was updated in 1975 to incorporate SOP 74-8. The last update was issued in 1992 to include conforming changes as of May 1, 1992. The *Audit Guide* required three basic financial statements to be presented in a "**fund group**" perspective. See Attachment A for the *Audit Guide* illustrative statements.

- Balance Sheet (Attachment A, Exhibit 1)
- Statement of Changes in Fund Balance (Attachment A, Exhibit 2)
- Statement of Current Funds Revenue, Expenditure, and Other Changes (Current Funds Statement) (Attachment A, Exhibit 3)

The primary purpose of the Statement of Current Funds Revenue, Expenditure and Other Changes is to provide the detail behind the summarized figures on the Statement of Changes in Fund Balance.

GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* was issued in November 1999 and supersedes GASB Statement No. 15. Statement No. 35 directs public colleges and universities to follow GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. These two statements are supplemented by the GASB Statement No. 34 Implementation Guide and the NACUBO Statement No. 35 Implementation Guide. This change is applicable to fiscal year 2002 (ended June 30, 2002) and subsequent years. Statements 34/35 require the following basic financial statements to be presented on the "**entity-wide**" perspective rather than the *Audit Guide's* "fund group" perspective. See Attachment B for the Statement 35 illustrative statements.

- Statement of Net Assets (SNA) (Attachment B, Exhibit 1)
- Statement of Revenue, Expenses and Changes in Net Assets (SRECNA) (Attachment B, Exhibit 2)
- Statement of Cash Flows (Cash Flows) (Attachment B, Exhibit 3)

CU Boulder's fiscal year 2001 financial statements are presented in Attachment C for comparison purposes.

- Balance Sheet (Attachment C, Exhibit 1)
- Statement of Changes in Fund Balance (SOC) (Attachment C, Exhibit 2)
- Statement of Current Fund Expenditures (Current Funds Statement) (Attachment C, Exhibit 3)

III. DAY-TO-DAY OPERATIONAL STRUCTURE

Public colleges and universities receive resources from a variety of sources that restrict the use of the resources. These include grants and contracts from sponsors, and gifts from donors. State legislative processes also appropriate state funds to an institution. Legislators and taxpayers want to know how these funds are used to accomplish the institution's mission and to be assured that these funds are used in accordance with any appropriation requirements. Additionally, the governing board (management) of the institution will designate resources to be used for certain purposes such as student loans or capital construction. Some operations of the institution, such as Housing, are required to generate revenue sufficient to cover all of their operating expenses and debt payments. This financial environment of public colleges and universities imposes upon higher education a special stewardship obligation to be able to demonstrate that all resources were recorded and used in accordance with the directives of the outside sources providing the resources. This stewardship obligation requires an accounting system that provides for the unique identification and recording of individual resources so that they are not commingled with other resources.

Higher education accounting systems are traditionally based on a "fund accounting" structure. The *Audit Guide* ¶2.02 defines fund accounting as the procedure by which resources for various purposes are classified for accounting and reporting purposes in accordance with regulations, restrictions, or limitations imposed by sources outside the institution, or in accordance with directions issued by the governing board.[i] ¶2.03 defines a *fund* as an accounting entity with a self-balancing set of accounts for recording assets, liabilities, a fund balance and changes in the fund balance (revenue, expense and cash transfers).[ii] Separate accounts are maintained for each fund to ensure observance of limitations and restrictions placed on the use of resources. For accounting and reporting purposes, however, "funds of similar characteristics" are combined into "fund groups." ¶2.05 identifies the fund groups usually encountered in an educational institution:

- Current funds
- Loan funds
- Endowment and similar funds
- Annuity and life income funds
- Plant funds
- Agency funds.[iii]

While Statements 34 and 35 change the external reporting orientation from the *Audit Guide's* fund group perspective to the entity-wide perspective, the university is still required to use its traditional fund accounting system to meet its stewardship obligations. Additionally, the use of the traditional fund groups serves management's needs to plan and manage the financial activity of the institution. Finally, while Statements 34 and 35 change the overall format of the basic financial statements, they do not define the categories of revenue and expense. However, their illustrative statements do use most of the same revenue and expense categories as those presented in the *Audit Guide*. So, while the *Audit Guide* is technically no longer GAAP, the university must still turn to it to define funds, fund groups, revenues, expenses and cash transfers that are used in the CU accounting system and in its day-to-day operations. The good news is that while Statements 34 and 35 represent one of the largest changes in higher education financial reporting history, they have minimal impact on how departments do their day-to-day accounting in the Finance System. The biggest impact is on the year-end entries that CCO staff make to offset some of the traditional day-to-day operational entries in order to present the university's financial statements on the Statements 34 and 35 entity-wide basis.

The discussion now turns to an analysis of the *Audit Guide* and how the Finance System is structured to fulfill the *Audit Guide* requirements.

IV. UNRESTRICTED VS. RESTRICTED

All resources of an institution are initially classified as either unrestricted or restricted. This concept is applied to all of the fund groups.

The *Audit Guide* Statement of Position (SOP) defines this concept under Current Funds.

> The Current Funds group has two basic subgroups—unrestricted and restricted. Unrestricted current funds include all funds received by the institution for which no stipulation was made by the donor or other external agency as to the purposes for which the funds should be expended. Restricted current funds are those available for financing operations, but which are limited by donors or other external agencies to specific purposes, programs, departments, or schools. Externally imposed restrictions are to be contrasted

with internal designations imposed by the governing board on unrestricted funds. Internal designations do not create restricted funds, inasmuch as the removal of the designation remains at the discretion of the governing board.

The distinction between unrestricted and restricted funds is maintained through the use of separately balanced groups of accounts in order to provide acceptable reporting of stewardship to donors and other external agencies. This distinction also emphasizes to governing boards and other sources of financial support the various kinds of resources of the Current Funds group that are available to meet the institution's objectives.

Separate accounting entities may be provided for auxiliary enterprises, hospitals, and independent operations in either the Unrestricted Current Funds or the Restricted Current Funds subgroup or both, as appropriate.[iv]

The first question to ask about every revenue dollar is whether it is an unrestricted or restricted resource. For example, has the resource provider limited the institution's use of the funds for a specific purpose such as financial aid, a specific program such as a sponsored project or a capital construction project, a specific department such as the Chemistry Department, a specific school such as the Law School, or a specific campus such as CU Boulder? For instance, a gift may be made to the Chemistry department and be unrestricted as to what Chemistry can use it for. However, since it is still restricted to be used only for the Chemistry department, it is considered to be a restricted gift.

A good test to use in determining whether or not revenue is restricted is to ask if the resource provider has the right to object and demand a return of the funds if the university were to use the funds, for example, to pay the salary of an accountant at the Anschutz Medical Campus. If the answer is yes, then these funds are restricted in some way and therefore are restricted funds. If the answer is no, and the Board of Regents is free to direct the use of the funds for any legal purpose, then these are unrestricted funds.

If the restrictions are such that the funds can only be used for Loan Fund or Plant Fund purposes, then the funds must be reported as revenue of those respective fund groups. It is inappropriate to report funds with loan fund or plant fund purpose restrictions as revenue of the current funds (with a cash and fund balance transfer to the other funds), since according to the restrictions these funds are not available to fund current operating expenses.

The concept of unrestricted vs. restricted funds is critical and carries through into the Net Asset section of the GASB 34 and 35 entity-wide Statement of Net Assets.

NET ASSETS
Invested in capital assets, net of related debt
Restricted for:
Nonexpendable:
Expendable:
Unrestricted

Although these are entity-wide perspective statements, there is still a certain amount of fund accounting carried over in order to provide these categories of net assets.

The mandate to maintain restricted funds separately from unrestricted funds prohibits the university from doing cash transfers between these funds.

V. FUND AND FUND GROUPS

As discussed in the previous sections of this chapter, the focus of the *Audit Guide* and a fund accounting system is the proper classification of resources, or revenue. Therefore, **the key to higher education fund accounting is a thorough understanding of the proper accounting for all revenues.** Once the revenue is properly accounted for in the correct fund, and therefore in the correct fund group, then the expenditure of that revenue naturally follows.

A. Fund

The first building block of a fund accounting system is defining what constitutes a ***fund*****.** Remember, the *Audit Guide* ¶2.03 defines a *fund* as an accounting entity with a self-balancing set of accounts for recording assets, liabilities, a fund balance and changes in the fund balance (revenue, expense, and cash transfers).[v]

In the Finance System a fund is a unique combination of the three chartfields of either the fund/organization/program or the fund/organization/project. Each unique combination is most commonly referred to as a “FOPP” or “FOPPS,” but can also be referred to as a combo, speedtype, or fund. Each of these unique FOPPS is a fund set up to account for a unique activity’s resources and use of those resources, separate from the accounting for all other resources and activities of the university. Each FOPPS then uses the accounts from the Chart of Accounts to classify the assets, liabilities, fund balance, revenues, expenses, and cash transfers of that fund. The revenue, expenses and cash transfers are used to report the change in fund balance of that FOPPS from one period to the next. Each FOPPS is a self-balancing set of records for that unique activity’s financial transactions.

A FOPPS is set up when required by provider restrictions such as for each sponsored project or gift, or when desired to uniquely account for the allocation of unrestricted resources for a designated purpose such as CCO general operations. The resources of the FOPPS can be a budget allocation, revenue, a cash (and fund balance) transfer in, or a combination of these.

B. Fund Group

The second building block is to define the purpose of each fund group and to identify each fund to its proper fund group. The *Audit Guide* illustrative statements (Attachment A, Exhibits 1, 2, 3) present the following fund groups and subgroups.

- Current funds
  - Unrestricted
  - Restricted
- Loan funds
- Endowment and similar funds
- Annuity and life income funds
  - Annuity funds
  - Life income funds
- Plant funds
  - Unexpended
  - Renewals and replacements
  - Retirement of indebtedness
  - Investment in plant
- Agency funds

CU uses the Finance System *Fund* chartfield to identify its fund groups and thereby assign each FOPPS to the proper fund group or subgroup.

The next section will focus on the fund groups used by CU Boulder:

- Current Funds
- Loan Funds
- Plant Funds
- Agency Funds.

All endowments (Fund 60) are accounted for at the system level and not at the campus level. Thus, endowments are not included in this discussion.

The following table shows how the Finance System funds are identified to the *Audit Guide* fund groups and how the Finance System funds are grouped under the CU financial statements fund groups.

Audit Guide and Finance System Structure	Financial Statement Fund Group
Current Funds	
Unrestricted	
10 – General Fund	State Appropriated Funding
11 – ICR (Indirect Cost Recovery)	
20 – Auxiliary TABOR Enterprises	Auxiliary & Self-funded Activities
26 – Auxiliary Other Exempt	
28 – Auxiliary Internal Service Centers	
29 – Auxiliary Non-Enterprises	
Restricted	
30 – Grants and Contracts	Restricted Fund
31 – Grants and Contracts	
34 – Gifts	
Loan Funds	
50 – Loan Funds	Student Loan Funds
Plant Funds	
71 – Capital Construction	Unexpended
72 – General Fund Renewal & Replacement	
78 – Auxiliary Renewal & Replacement	
73 – Retirement of Indebtedness	Retirement of Indebtedness
74 – Investment in Plant	Investment in Plant
Agency Funds	
80 – Agency Funds	Restricted Fund

In addition to these funds, CU also has Fund 99: GASB 34-35 Reporting. This fund is used solely for entries to adjust the *Audit Guide* fund group perspective into the GASB 34/35 entity-wide perspective. Most of these entries arise from showing activities between the various fund groups that would result in inflating revenues and expenses if they were not offset. Examples are:

- Unrestricted current fund indirect cost revenue equal to restricted current fund indirect cost expense
- Investment in plant fund addition for the retirement of indebtedness (ROI) equal to the ROI fund deduction for retirement of indebtedness.
- Capital asset purchases in the current funds equal to additions to plant in the investment in plant fund when the capital asset is added to that fund.

VI. AGENCY FUNDS (Fund 80)

The *Audit Guide* ¶10.19 says the agency fund group consists of funds held by an institution as custodian or fiscal agent for others such as student organizations, individual students, or faculty members. Agency funds should be accounted for as a separate fund group although, if immaterial in amount, they may be reported as assets and liabilities of current funds. Transactions of agency funds represent charges or credits to the asset and liability accounts and are not transactions of unrestricted or restricted current funds.[vi]

Agency funds are used to deposit funds that do not belong to and are not under the control of the Regents, but rather are private funds that belong to the depositor. CU is essentially providing a banking function for the depositor, and these funds are then disbursed at the direction of the depositor. The most common uses of agency funds are for:

- Independent student organizations
- External entities that have a business presence on campus and have a need to charge internal services such as telephone, copying and printing, etc.
- Funds sent to the university and held to be applied to a specific student's bill at a later date e.g., third party payment of a student's bills.

Funds deposited by the depositor should be recorded using a revenue account. Expenditures of funds should be recorded using expense accounts. The revenues and expenses will be used to report the cash inflows and outflows from agency funds on the GASB 34 and 35 Statement of Cash Flows.

Since agency funds are private (i.e. non-university) funds, the use of these funds does not represent university business and the revenue/expense is not reported in the Statement of Changes in Fund Balance or the Statement of Revenue, Expenses, and Changes in Net Assets. The FOPPS fund balance is not reported in the fund balance or net assets of the university, but rather it is reported as a liability, Deposits Held In Custody, on the balance sheet and Statement of Net Assets. CU has chosen to combine the balance sheet accounts with the Restricted Current Fund reporting on the balance sheet.

All agency funds are administered through one of four offices.

- The Student Organizations Finance Office (SOFO) oversees independent student organization agency FOPPS.
- The Bursar's Office oversees third party billing agency FOPPS.
- The Office of Financial Aid has numerous FOPPS in fund 80 used to record money from scholarship providers, for direct lending, and various other financial assistance purposes.
- CCO oversees all other agency fund FOPPS in partnership with the Office of Vice Chancellor for Administration, who authorizes an agency relationship with non-student organization entities.

Since agency funds represent entities external to the institution, all business dealing with agency fund FOPPS should be approached in the same manner as dealing with any other private individual or business. For example, agency fund operations do not have access to CU procurement services as this would extend to private entities state agency privileges such as tax exemption, higher education discounts, state contract discounts, etc. It is inappropriate for private entities to benefit from state agency status. Interdepartmental cash transfers cannot be made to or from agency fund FOPPS. To do so would be the same as providing a gift to a private entity. Payments to CU departments from charges made to agency fund FOPPS should be accounted for the same as a cash payment from an external entity.

VII. PLANT FUNDS (Funds 71, 72, 73, 74, 78)

The *Audit Guide* ¶9.01 says that the plant fund group consists of

- Funds to be used for the acquisition of physical properties for institutional purposes but unexpended at the date of reporting;
- Funds set aside for the renewal and replacement of institutional properties;
- Funds set aside for debt service charges and for the retirement of indebtedness on institutional properties; and
- Funds expended for, and thus invested in, institutional properties.[vii]

A. Capital Construction Plant Fund (Fund 71)

The Capital Construction plant fund is used to account for all capital construction projects. A capital construction project is defined as any new building construction regardless of cost, and remodeling/renovation projects with an estimated cost of $75,000 or more for the project. These projects result in the creation of a new capital asset or the addition to the book value of an existing capital asset for the university. The use of a Fund 71 project FOPPS is required in order to capture all the costs of the construction and fairly present the value of these capital assets on the university's balance sheet and Statement of Net Assets. Capital construction projects are typically managed by Facilities Management (FacMan).

Resources for the capital construction fund arise from:

- Donations from private sources restricted to capital construction projects
- Designated appropriations of governmental agencies
- Income and gains from the investment of capital construction funds
- Grants restricted to capital construction projects
- Cash transfers in from other funds groups
- Issued debt.

In the Finance System the expense accounts are used to budget the construction project. A month-end entry is made to offset that month's expenses and record them in the asset account construction-in-progress (CIP). Beginning in FY 2002, at year-end the construction-in-progress and any related debt are moved to the Investment in Plant Fund (IIP). This allows the university to use the Finance System to monitor the budget for the project while still showing the gradual creation of a new capital asset with proper year-end accounting for the GASB 34 and 35 statements.

B. Renewal and Replacement Plant Fund (Funds 72, 78)

The Renewal and Replacement (R&R) plant funds are used primarily to accumulate resources over the years to save toward a planned capital construction project or the purchase of equipment. As such, the primary funding sources of R&R plant funds are cash and fund balance transfers from other fund groups, most typically the unrestricted current funds. Fund 72 is used for transfers in from general funds (1x funds). Fund 78 is used for transfers in from auxiliary funds (2x funds). This is required in order to keep the funds separate for the purpose of charging General Administrative Recharge (GAR) and General Infrastructure Recharge (GIR) to auxiliary funds.

Resources for the R&R plant funds are:

- Cash and fund balance transfers from other fund groups, usually the unrestricted current funds
- Income and gains from the investment of R&R funds
- Donations from private sources restricted to R&R funds
- Insurance proceeds from claims on the loss of capital assets
- Proceeds from the sale of equipment.

R&R plant funds are used to:

- Transfer to a capital construction plant fund
- Purchase equipment with a unit cost of $5,000 or more
- Transfer the cash and fund balance back to the original source funds if not needed for capital asset acquisition.

Since R&R plant funds are only to be used to acquire capital assets, it is inappropriate to spend funds from R&R plant fund FOPPS for any operating expenses (salaries, office supplies, travel, equipment less than $5,000, etc.). R&R funds should only be spent to purchase equipment with a value of $5,000 or more. It is acceptable to use the R&R plant fund to build cash and fund balance toward the purchase of non-capital equipment, but the funds should be transferred back to the current fund if they are to be spent for non-capital asset purposes.

CU has elected to combine capital construction plant funds and R&R plant funds to report them under the Unexpended Plant Fund column in the *Audit Guide* financial statements.

C. Retirement of Indebtedness Plant Fund (Fund 73)

The Retirement of Indebtedness Plant Fund (ROI) is used to pay principal of debt and interest thereon and trustee fees and expenses. The payment of principal from the ROI plant fund results in a matching reduction of the debt actually recorded in the Investment in Plant fund along with its related capital asset.

Resources for the ROI fund are:

- Cash and fund balance transfers from other fund groups, usually the unrestricted current funds
- Income and gains from the investment of ROI funds
- Donations from private sources restricted to ROI funds.

D. Investment in Plant Fund (Fund 74)

The Investment in Plant Fund (IIP) is used only to record the book value of our capital assets, accumulated depreciation and expense thereon, and any external debt related to the capital assets. The IIP fund balance is the invested in capital assets, net of related debt net assets on the Statement of Net Assets.

VIII. LOAN FUNDS (Fund 50)

The *Audit Guide* ¶7.01 says the loan fund group consists of loans to students, faculty, or staff, and resources available for such purposes. The terms of the loan agreements usually specify that the funds operate on a revolving basis, i.e., payments of principal and interest are loaned to other individuals. Some loan funds are created on a temporary basis and require that repayments and interest be returned to the grantors. The grants may also designate that the obligations to repay all or part of the loan will be forgiven under certain circumstances. Some gift agreements may also designate the curriculum and geographical domicile of the student borrowers and the financial status of borrowers.[viii]

Resources for the loan fund are:

- Donations from private sources restricted to loan funds
- Designated appropriations of governmental agencies
- Income and gains from the investment of loan funds
- Grants restricted to loan funds
- Interest charged on outstanding loans
- Payment of principal on outstanding loans
- Cash transfers in from other funds groups.

IX. CURRENT FUNDS (Funds 10, 1 , 20, 26, 28, 29, 30, 31, 34)

The current fund discussion is taken primarily from the *Audit Guide* Statement of Position (SOP).

The *Audit Guide* SOP page 51 says that the current funds group includes those economic resources of a college or university that are expendable for the purpose of performing the primary missions of the institution—instruction, research and public service—and which are not restricted by external sources or designated by the governing board for other than operating purposes. The term *current* means that the resources will be expended in the near term and that they will be used for operating purposes.[ix]

Basically, the current funds are the default funds. If a dollar of resources does not meet the requirements for reporting directly in the Agency Fund, the Loan Fund or one of the Plant Fund subgroups, then by default it belongs in one of the current funds subgroups**. As stated earlier, the key to current funds accounting is a thorough understanding of the proper accounting for revenues. Once the revenue is properly accounted for in the correct fund, and therefore the correct fund group, then the expenditure of that revenue naturally follows.**

A. General Fund (Fund 10)

The General Fund is used to account for the major revenue and expenses of the university's primary mission of instruction and its support functions of academic support, student services, and institutional support, operation of plant, and scholarships and fellowships. The revenues are:

- State appropriations
- All tuition except that charged by Continuing Education
- All instructional fees
- Administrative student fees
- Some student activity fees
- Some assorted revenue such as rent of general fund space.

All of these revenues are subject to TABOR reporting. (See Enterprise Status on page 18.) Revenue generated through departmental activity should not be recorded in the department's general fund FOPPS. These revenues should be recorded in a 2x FOPPS as appropriate for the nature of the revenue.

B. ICR Fund (Fund 11)

The Indirect Cost Recovery (ICR) fund is used to account for the facilities and administrative cost (F&A or indirect cost) reimbursement to the university from sponsored projects and some student aid/loan programs. No expenses, other than compensated absences, are recorded in Fund 11. This is used only to account for F&A revenue that supports the general fund functions and is exempt from TABOR reporting. (See Enterprise Status on page 18.) Fund 11 is also used to account for compensated absence (vacation and sick leave balances) liability and expense for employees paid from Fund 10.

C. Auxiliary TABOR Enterprise Fund (Fund 20)

The Auxiliary TABOR Enterprise Fund is used to account for the revenues and expenses of those self-funded entities that have been formally designated by the Board of Regents as TABOR Enterprises. The revenues are exempt from TABOR reporting. A new entity cannot be added to this fund group without the Board of Regents formally designating that entity as a TABOR

Enterprise. Existing TABOR Enterprise entities can add new FOPPS to account for a new activity as long as that activity is consistent with the role and mission that was the basis for their original TABOR Enterprise designation. For example, if Housing were to build a new dormitory, then the new FOPPS could be added to Housing in Fund 20 for that dormitory. If the director of a TABOR Enterprise is given an assignment to manage an additional and new activity that is different from the activity that was the basis for the entity's TABOR Enterprise designation, then that new activity may have to be accounted for in another, non-TABOR exempt fund. Each case has to be evaluated based on its nature and merits.

History and Overview of TABOR

In November 1992, Colorado voters approved an amendment to the State Constitution—Article X, Section 20—called the *Taxpayer's Bill of Rights* or TABOR. This amendment imposes various limitations on state and local governments, including limitation on the imposition of new or increased taxes, the issuance of multiple fiscal year obligations, and permitted levels of fiscal year spending.

The restrictions imposed by TABOR do not apply to entities or activities characterized as *enterprises*. An enterprise is defined as a government-owned business which has the authority to issue its own revenue bonds, and which does not receive more than 10% of its annual revenues in "grants" from state and local governments.

During the 1993 legislative session, HB93-1355 was enacted to clarify which auxiliary facilities and activities operated by institutions of higher education within the state might qualify as enterprises. HB93-1355 provides a statutory framework in which auxiliary facilities and activities managed by the Board of Regents may qualify as enterprises so that they comply with the provisions of TABOR. The importance of qualifying as an enterprise lies in the fact that the revenue of the respective auxiliary facility or activity is removed from the revenue and expenditure limits of TABOR.

In September 1993, the Board of Regents passed a resolution designating certain auxiliary facilities and activities as enterprises. These were then reviewed by the State Auditor and presented to the Legislative Audit Committee.

The 1993 list of enterprises on the Boulder campus included the following:

- Auxiliary Units
  - Bookstore Facilities
  - Housing Facilities (Housing, University Club)
  - Parking Facilities

    - Athletic Facilities (Intercollegiate Athletics)
    - Student Union Facilities (UCSU, Recreation Building, Student Health Facility, Student Buildings)
- Sales and Services of Educational Activities
    - Continuing Education
    - International Education
- Research Facilities
    - Research Buildings
    - Research Park
    - LASP
    - Rentals—Grandview
- Other Auxiliary Activities
    - Telecommunications
    - Cogeneration Facilities
    - Artist Series
    - Student Admin Services
    - Student Support Services

In response to the findings and recommendations submitted by the State Auditor to the Legislative Audit Committee in 1994, the university committed to re-examine those auxiliary facilities and activities designated as enterprises. In 1995 the enterprise list for CU Boulder was adjusted as follows:

- Deletion of LASP Shop Operations
- Deletion of Student Admin Services
- Deletion of Student Support Services.

In December 2002, TABOR designation was once again visited by the Board of Regents. The enterprise designations of the following were reaffirmed:

- Intercollegiate Athletics Facilities and Operations
- Bookstore Facilities and Operations
- Student Recreation Facilities and Operations
- Housing Facilities and Operations
- Student Health and Apothecary Facilities and Operations
- Parking Facilities and Operations
- Student Government Facilities and Operations
- Student Union Facilities and Operations
- Real Estate Leasing Facilities and Operations.

Also at this time, the designation of facilities and activities as Education Services Enterprises was modified and reaffirmed to include university-wide activities and facilities related to:

- Extended Studies Education Facilities and Operations
- International Education Facilities and Operations
- Graduate Medical Education Facilities and Operations.

At this time the designation of facilities and activities as Research Support Services Enterprises was modified and reaffirmed to include university-wide activities and facilities related to:

- Research Support Operations
- Research Building Revolving Fund Facilities and Operations.

Additionally, at this time, the designation of facilities and activities as Other Self-Funded Services Enterprises was modified and reaffirmed to include university-wide activities and facilities related to:

- Dentistry Practice Plans
- Utility Plant Facilities and Operations
- Self-Insurance Services
- Medical Practice Plans
- Nursing Practice Plans
- Auditorium and Artist Series Facilities and Operations
- Pharmacy Practice Plans
- Telecommunications Facilities and Operations
- Health Related Fee for Services
- Conference Services.

The Board of Regents modified one additional TABOR designation during their December 2002 meeting by terminating the inclusion of University East Pavilion Operations from the Other Self-Funded Services Enterprises.

Designations of facilities and activities as enterprises by the Board of Regents remain in effect and continue unless terminated by a resolution on their part.

Passage of Colorado Senate Bill 04-189 in 2004 paved the way for the Regents to approve resolutions on June 2, 2004 and July 8, 2004 designating the entire University as a TABOR enterprise effective July 1, 2004.

ENTERPRISE STATUS AND CURRENT ACCOUNTING PRACTICES

TABOR "enterprises" are exempt from TABOR requirements. To qualify as an enterprise, a higher education institution must be a government-owned business authorized to issue its own revenue bonds and receiving less than 10 percent of its annual revenue in grants from all state and local governments combined. Due in part to years of diminished state funding, the University eventually met both of these criteria; and on July 1, 2004, the University was designated as a TABOR enterprise beginning fiscal year 2005.

The University will maintain its designation as a TABOR enterprise only if it continues to meet both eligibility requirements. Because of the possibility that its TABOR status may one day revert back to non-enterprise status, the University continues to use the same fund structure and accounting conventions that were developed to comply with TABOR reporting requirements.

Some of the TABOR requirements noted in the *Guide* are no longer in effect. They do, however, offer insight into the origins of the accounting practices they refer to that are still in use. An excellent guide on TABOR, fund accounting, and state budgetary reporting can be found in the Department of Higher Education Fiscal Guidelines put together by the Controllers of Colorado's institutions of higher education.

D. Auxiliary Other Exempt Fund (Fund 26)

The Auxiliary Other Exempt Fund is used to account for revenue generated through departmental activity that is exempt from TABOR reporting for reasons other than being designated a TABOR Enterprise or an Internal Service Center. This primarily includes residuals on federal fixed priced contract sponsored projects (Fund 30) and royalties.

E. Auxiliary Internal Service Center Fund (Fund 28)

The Auxiliary Internal Service Center Fund is used to account for the activities that have been designated as Internal Service Centers. Two internal service centers, Telecommunication Services and Cogeneration, are designated as TABOR enterprises and are accounted for in Fund 20. Service center activity is exempt from TABOR reporting. For more on the topic, see Internal Sales Activities, Chapter 13 of *The Guide*.

F. Auxiliary Non-Enterprises Fund (Fund 29)

The Auxiliary Non-Enterprises Fund is used to account for revenue generated through departmental activities that cannot be classified in Funds 20, 26 or 28. Fund 29 is the default unrestricted current fund for departmental revenue. These revenues are subject to TABOR reporting. **Note:** For revenue related to sponsored projects, such as workshop or conference fees, federal regulations must be followed. Per OMB *A-110 Subpart C.24*, this revenue should be used in one or more of the following ways:

- Added to the budget for the sponsored project and used to further the project objectives,
- Used to finance the non-federal share of the sponsored project,
- Deducted from the total budget for the project to determine the net allowable costs.

G. Sponsored Projects Fund (Funds 30, 31)

The Grants and Contracts Funds are used to account for sponsored projects negotiated through the Office of Contracts and Grants (OCG) and certain financial aid programs. Fund 30 is used for revenue that is exempt from TABOR reporting based on the type of sponsor i.e., all sponsors other than those required to be accounted for in Fund 31. Fund 31 is used to account for sponsored projects authorized by OCG from agencies of the state of Colorado. Pure state funded projects (i.e. not mixed with federal monies) are set up in Fund 31 in order to track State funds for the contract management process that SB07-228 requires. Fund 31 is used for revenue that is subject to TABOR reporting.

H. Gift Fund (Fund 34)

The Gift Fund is used to account for all gifts, except those gifts restricted for the Loan Fund or Plant Fund. Gift Fund revenues are exempt from TABOR reporting. Refer to Chapter 15 Gift Accounting in *The Guide* for additional information.

X. REVENUE CLASSIFICATIONS

The *Audit Guide* Statement of Position (SOP) page 53 says that unrestricted and restricted current funds revenues should be grouped into the following major classifications by source of funds. The highlighted classifications below are those adopted by the State Controller for Colorado institutions and used by CU.

Tuition and Fees
Federal Appropriations
State Appropriations
Local Appropriations
Federal Grants and Contracts
State Grants and Contracts
Local Grants and Contracts Private
Gifts, Grants and Contracts
Endowment Income
Sales and Services of Educational Activities
Sales and Services of Auxiliary Enterprises

Sales and Services of Hospitals
Other Sources
Independent Operations[x]

In addition to the Audit Guide SOP, revenue accounting at the University of Colorado is also governed by the *Revenue Definition and Recognition* section of the OUC Accounting Handbook.

CU breaks out its investment and interest income separate from the Other Sources classification, and its indirect cost revenue separate from the Grants and Contracts categories.

Some of these revenue classifications can be a little challenging to understand. One thing that helps in understanding the revenue classifications is to look at the expense classifications. The *Audit Guide* SOP page 59[xi] discusses the options of classifying expense in terms of programs, functions, organizational units, projects and object class (Finance System account codes). The *functional* classification pattern—educational and general, auxiliary enterprises, hospitals, independent operations, and their subcategories—provides the greatest comparability of data among institutions.

The *Audit Guide* SOP page 60[xii] suggests that the following functional classification be followed. These classifications have been adopted by the State Controller for Colorado institutions. Transfers have been omitted from this list and will be discussed later.

- Educational and General (E&G)
    - Instruction
    - Research
    - Public Service
    - Academic Support
    - Student Services
    - Institutional Support
    - Operation and Maintenance of Plant
    - Scholarships and Fellowships
- Auxiliary Enterprises
- Hospitals
- Independent Operations.

By comparing the revenue classifications to the functional classifications, it becomes apparent there is a correlation between the two, as illustrated in the chart below.

Revenues	**Functions**
▪ Educational and General (E&G)	Educational and General (E&G)
Tuition and fees	Instruction
Federal Appropriations	Research
State Appropriations	Public Services
Local Appropriations	Academic Support
Federal Grants and Contracts	Student Services
State Grants and Contracts	Institutional Support
Local Grants and Contracts	Operation/Maintenance of Plant
Private Gifts, Grants and Contracts	Scholarship & Fellowships
Endowment Income	
Sales/Services of Educ. Activities	
Investment and Interest Income	
Indirect Cost Reimbursement	
Other Sources	
▪ Sales/Services of Auxiliary Enterprises	Auxiliary Enterprises
▪ Sales and Services of Hospitals	Hospitals
▪ Independent Operations	Independent Operations

Since there is an obvious correlation between Auxiliary Enterprise, Hospitals, and Independent Operations revenues and functions, it is logical to conclude that the other revenues fund the education and general functions.

This now gives a little clearer picture on how to view and understand the current funds revenue and expense accounting. The discussion will concentrate on the education and general and auxiliary functions. CU Boulder does not have a hospital, as the Wardenburg Student Health Center does not qualify as a hospital for this purpose. The Boulder campus also has no Independent Operations.

Before beginning the revenue discussion, understand that not all revenue accounts are available for use in all funds. The Fund-Account Edit Table in the Finance System restricts the use of revenue accounts to certain funds. Use Finance Production or Reporting to navigate to this table: **General Ledger** > **Chartfields** > **Fund-Acct Combo Edit.**

A. Auxiliary Enterprise Revenue

Before examining auxiliary enterprise revenue in detail, a distinction must be made between those auxiliary facilities, operations and programs that are

- designated as an auxiliary enterprise according to the *Audit Guide*
- designated as a TABOR enterprise by the Board of Regents.

In brief, the *Audit Guide* defines an auxiliary enterprise as an entity that exists to furnish goods or services to students, faculty, or staff, and that charges a fee directly related to, although not necessarily equal to, the cost of the goods and services.[xiii]

A TABOR enterprise is defined as a government-owned business that has the authority to issue its own revenue bonds, and which does not receive more than 10% of its annual revenues in grants from state and local governments.

The *Audit Guide* Statement of Position (SOP) defines sales and services of auxiliary enterprises as all revenues generated through operations by auxiliary enterprises. This category is limited to revenue derived directly from operation of the auxiliary enterprise. Revenues from gifts, grants, or endowment income restricted for auxiliary enterprises should be reported under their respective categories.[xiv]

In order to know if there is auxiliary enterprise revenue, it is necessary to know if the revenue was generated from an auxiliary enterprise. All revenues of, and only revenues of, auxiliary enterprises are classified as sales and services of auxiliary enterprises revenue. If the revenue is not generated from an auxiliary enterprise, then it has to be reported as one of the education and general revenue classifications. So, what is an Auxiliary Enterprise?

As previously noted, the *Audit Guide* SOP defines an auxiliary enterprise (both in its revenue and functional definitions) as an entity that exists to furnish goods or services to students, faculty, or staff, and that charges a fee directly related to, although not necessarily equal to, the cost of the goods and services.[xv] The distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting activities. Examples are residence halls, food services, intercollegiate athletics, (only if essentially self-supporting), college unions, college stores, faculty clubs, faculty and staff parking, faculty housing, and such services as barber shops, beauty parlors, and movie theaters. Student health services, when operated as an auxiliary enterprise, also should be included. The general public may be served incidentally by auxiliary enterprises. Hospitals, although they may serve students, faculty, or staff, are separately classified because of their relative financial significance.

This category includes all expenditures and transfers relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant and for institutional support; also included are other direct and indirect costs, whether charged directly as expenditures or allocated as a proportionate share of costs of other departments or units.

A number of key concepts about auxiliary enterprises and their associated revenue warrant further discussion.

1. An Auxiliary Enterprise is an Entity

First of all, an auxiliary enterprise is an *entity*. Webster's Dictionary defines *entity* as **1a:** BEING, EXISTENCE, *esp*: independent, separate, or self-contained existence **b:** the existence of a thing as contrasted with its attributes **2:** something that has separate and distinct existence and objective or conceptual reality.[xvi]

When the definition of entity is combined with the examples, the conclusion is that the *Audit Guide* intended an auxiliary enterprise to be a major, ongoing business operation separately identifiable within the university and one that would likely be found in the private sector. In a university setting, departments (or centers, institutes, etc.) are the basic, separately identifiable organizational units. Therefore, our first task is to look at a department and decide whether or not the department as a whole should be classified as an auxiliary enterprise. This is contrasted with the frequent mistake of looking at an individual activity and classifying the activity as an auxiliary enterprise independent of the classification status of the department conducting the activity. For example, the Chemistry department sells Chemistry department tee shirts to its students. Clearly this activity is furnishing goods to students so the tendency is to classify "the activity" as an auxiliary enterprise. This would be in error because an auxiliary enterprise has to be an entity, and not just an activity. The Chemistry department (the entity) is not classified as an auxiliary enterprise; therefore any revenue it generates cannot be auxiliary enterprise revenue.

Care must be taken regarding what is defined as a department, because the same administrator may be responsible for more than one department or major activity. For example, the Director of Housing is responsible for the housing function and the conference function. Just because both of these functions are located under the same director does not mean that these constitute a single department. In fact these would be two departments: Housing, an auxiliary enterprise, and Conferences, an education and general activity.

2. An Auxiliary Enterprise Charges a Fee Directly Related to the Cost of Goods and Services

Secondly, an auxiliary enterprise "charges a fee directly related to, although not necessarily equal to, the cost of the goods and services." Again, combining this criterion with the private sector business examples, it is possible to conclude that the *Audit Guide* intended an auxiliary enterprise to charge a fee to those customers who use the goods and services. The fact that the fee does not have to equal the cost of the goods and services means that a surplus can be generated. It also means that a loss may be generated, and that the loss may be supplemented by other resources.

3. Auxiliary Enterprises are Managed as Essentially Self-Supporting Activities

Thirdly, "the distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting activities." It is important to look at this criterion in relation to the charging of a fee directly related to, although not necessarily equal to, the cost of the goods or services. The *Audit Guide's* intent is that the business charges a fee to its customers based on the goods and services provided to each customer. A loss from these exchange transactions can be incurred and that loss can be supplemented from other sources, such as a student activity fee allocation. However, if the entity's ongoing financial plan is such that it incurs annual losses of a material amount that must be supplemented from other sources, then it loses its auxiliary enterprise status and becomes an education and general operation since it is no longer essentially self-supporting. Also, if the entity's ongoing financial plan is to get an allocation of other resources, such as student activity fees, in order to provide services for free to all registered students (even though all students won't use the services), then it loses its auxiliary enterprise status and becomes an education and general operation because it is not charging a fee directly related to the cost of goods or services and it is not essentially self-supporting. This concept is also supported in the examples of intercollegiate athletics (only if essentially self-supporting), and student health services when operated as an auxiliary enterprise.

It is clear that the *Audit Guide* envisioned two scenarios for these two entities. The first is when these entities charge a fee to only those customers using their services, and this fee allows the entity to be essentially self-supporting—an auxiliary enterprise. The second is when these activities are materially supplemented by an allocation of other resources, usually student activity fees, and makes a certain range of services free to all students, even though not all students paying the fee and supporting the entity will use its services—an education and general operation. Many cases are very clear and others are quite gray. A case-by-case analysis has to be made and professional judgment must be used to decide one way or the other in the gray cases.

4. An Auxiliary Enterprise Pays for All of Its Operating Costs

Fourthly, "this category includes all expenditures and transfers relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant and for institutional support; also included are other direct and indirect costs, whether charged directly as expenditures or allocated as a proportionate share of costs of other departments or units." This criterion is consistent with the private business concept of an entity in which the entity pays for all its operating costs, including space costs and administrative overhead. In the previously noted Chemistry tee shirt example, the FOPPS set up to account for the tee shirt sales likely is only paying the costs of buying the tee shirts. It is likely that no administrative costs of this activity, such as the salaries, wages and benefits of the general fund staff who designed, ordered and sold the tee shirts; an allocation of departmental administrative staff time such as the department chair or departmental administrator managing the FOPPS; or an allocation of cost of the space where the activity is conducted and paid for by general fund budget were allocated to the FOPPS. General Administrative and Infrastructure Recharge (GAIR) will be charged to the Fund 29 FOPPS, but this covers only central general fund administrative costs such as the Chancellor, Vice Chancellors, CCO, purchasing and accounts payable, human resources, etc. GAIR does not include departmental administrative or space costs. Therefore, the Chemistry tee shirt FOPPS does not include all expenditures related to the sale of the tee shirts.

5. Determining if Your FOPPS is an Auxiliary Enterprise

How does a department know whether its particular FOPPS is classified as an auxiliary enterprise? Are all Fund 2x FOPPS auxiliary enterprises? No.

All Fund 2x FOPPS are reported under the Auxiliary ***and*** Self-funded Activities fund group in the financial statements. This clearly indicates that within the 2x funds there are a mixture of auxiliary enterprises (the auxiliary part of the fund group) and non-auxiliary enterprises (the self-funded part of the fund group). Once again, it is necessary to look to the expense structure of a transaction in order to answer the revenue question. Financial statement functional classifications are assigned to program and project chartfields via the Expense Purpose Code (EPC) attribute. The auxiliary operating expenditures function expense purpose code is 2000. This can be found on the program panels in the Finance System.

Use Finance Production or Reporting to navigate to these panels:
General Ledger > **Chartfields** > **Program** > **enter the Program number**
Select the Program CU Attributes tab where the expense purpose code is displayed. Any program with an expense purpose code of 2000 is an auxiliary enterprise and should record its revenue using only the auxiliary enterprise revenue accounts. A list of Auxiliary Enterprises is also available on the CCO website.

6. Auxiliary Enterprise Revenue Account Numbers

Auxiliary enterprises must use only auxiliary enterprise revenue accounts, within the range of 280000–289999, to record all of their revenue. An auxiliary enterprise cannot use the miscellaneous revenue accounts within the range of 325000–334999.

The definition of auxiliary enterprise revenue is the revenue of an auxiliary enterprise. Therefore, if an entity is defined as an auxiliary enterprise, then all of its revenue is auxiliary enterprise revenue, and must be recorded in accounts within the range of 280000–289999. Note: Internal sales of goods/services between departments are usually recorded in such a way as to avoid inflating revenues and expenses from internal sales. Refer to Section J located on page 37 of this chapter, for additional information.

However, the *Audit Guide* SOP page 53 provides an exception for auxiliary enterprises. "Certain intra-institutional transactions, however, should be reflected in the operating statements as revenues and expenditures. Sales and services of auxiliary enterprises to other departments, for example, catering by the food services department in the entertainment of institutional guests and sales by the college store to instructional departments, should be treated as sales and services revenues of the respective auxiliary enterprises and as expenditures of the unit receiving the services or material."[xvii] This example assumes that the food services is the one serving students in dormitories. The CU Boulder food services department is set up as an education and general operation (student services) rather than an auxiliary enterprise. Therefore, this exception does not apply in this case. The purchasing FOPPS will record expense in an expense account as if the purchase had been made from an outside vendor.

B. Educational and General Revenue (E&G)

If the revenue is not generated through the operations of an auxiliary enterprise, then it must be classified under one of the E&G revenue classifications.

1. Tuition and Fees Revenue

This classification should include all tuition and fees assessed against students (net of refunds) for educational purposes. Tuition and fees should be recorded as revenue even though there is no intention of collection from the students. The amounts of such remissions or waivers should be recorded as expenditures and classified as Scholarships and Fellowships or as staff benefits associated with the appropriate expenditure category to which the personnel relate. This definition has been modified by GASB 34/35 and the application of NACUBO Advisory Report 2000-05, *Accounting and Reporting Scholarship Discounts and Allowances to Tuition and Other Fee Revenues by Public Institutions of Higher Education*, approved July 2000. Beginning July 1, 2001 it is improper to inflate tuition and fee revenue and scholarship & fellowship expenses for tuition and fees charged but not intended to be collected. Departments should continue their current practices of accounting for financial aid. Corrections for the scholarship allowance requirement are made by the CCO staff at year-end.

Refer to the SOP for a discussion on fees restricted or pledged for other than current operating purposes such as debt service on educational plant.

Revenues from tuition and student fees of an academic term that encompasses two fiscal years, e.g. a summer session, should be reported as revenue of the two fiscal years based on the services provided in each fiscal year. CU Boulder uses the number of days of each summer session that falls in each fiscal year to prorate the tuition and fees between the two.

Higher Education Accounting Standard #2, *Tuition and Fee Accounting*, contains additional information. CU Boulder specific information on fees is provided in the *Institutional Plan for Student Fees*.

Tuition is defined as those charges to students for formal course work based on the tuition rates approved by the Board of Regents. All tuition, except that charged by Continuing Education, shall be recorded in the General Fund (Fund 10). Continuing Ed records tuition in its 2x FOPPS.

- Use revenue accounts in the range 200500–214999.

Instructional Fees are defined as those mandatory fees approved by the Board of Regents and charged to students where the fee is directly related to specific instructional programs. This includes whole academic programmatic fees as well as to specific course fees. Instructional fees are recorded in the same fund as the related tuition.

- Use revenue accounts in the range 220200–220299.

Student Activity Fees are defined as those mandatory fees approved by the Board of Regents and charged to the student body as a result of their attending the institution. The fund accounting for student activity fees is determined on a fee by fee basis.

- Use revenue accounts in the range 220100–220199.

Examples of student activity fees include:

- UCSU student fee—Auxiliary Enterprise Fund (Fund 20)
- SIS fee—General Fund (Fund 10)
- Computing fee—General Fund (Fund 10)
- Career Services fee—General Fund (Fund 10)
- Arts & Cultural Enrichment fee—General Fund (Fund 10)
- RTD fee—General Fund (Fund 10)

- Athletic fee—Auxiliary Enterprise Fund (Fund 20)

Other Revenues—There are many charges that are commonly called a "fee" but for financial reporting purposes are not included in the tuition and fee classification. Examples include application fees, graduation fees, late payment fees, bad check fees, room and board fees, matriculation fee, etc. Each of these fees is recorded in the revenue classification and accounts based on the nature of the fee and the entity charging the fee. Follow the guidelines in Higher Education Accounting Standard #2.

2. State Appropriations Revenue

This classification includes only the "general fund" appropriated to the University in the annual Long Bill. State appropriations funding current operations are accounted for in the General Fund (Fund 10).

- Use revenue accounts within the range 200100–201999.

3. Investment and Interest Income Revenue

This classification primarily consists of endowment investment income, interest on student loans receivable, and interest on CU Boulder funds specifically invested by the Treasurer that usually occurs only in the ROI Fund. The Pooled Investment Earnings (PIE) program keeps the vast majority of the university's cash reserves invested. The PIE income is accounted for at the system level and a designated portion of the earnings on these investments is returned to the campus via the PIE cash transfer accounts. Some of the PIE is returned to specific programs according to law. Examples include payment of earnings on invested student activity fee cash, earnings on surplus federal funds that have to be returned to the federal government, and some designated loan fund programs.

- Use accounts within the range 230000–232499 for actual investment income.
- Use PIE cash transfer accounts 995102, 995202 and 997102, 997202 for cash transfers.

The Investment and Interest Income category also includes royalty income.

- Use accounts within the range 325800–325899.

4. Federal, State and Local Grants and Contracts Revenue

These revenue classifications include the revenues from sponsored project grants and contracts that are negotiated and authorized by the Office of Contracts and Grants. The sponsors are federal, state and local governments. This revenue typically only occurs in the Grant and Contract Funds (Funds 30 and 31). However, it can also occur in the Capital

Construction Fund (Fund 71) if there is a sponsored project restricted to funding a construction project.

- Use revenue accounts within the range 235000–239999.

5. Private and Other Gifts, Grants and Contracts Revenue

This revenue classification includes private grants and contracts, and gifts.

Private grants and contracts include revenues from sponsored project grants and contracts that are negotiated and authorized by the Office of Contracts and Grants. The sponsors are non-governmental entities, but do include foreign government sponsors. This revenue typically only occurs in the Sponsored Project Fund 30. However, this type of revenue can also occur in the Capital Construction Fund (Fund 71) if there is a sponsored project restricted to funding a construction project.

- Use revenue accounts 240100–240299.

Gifts include all monies, real property and personal property (both tangible and intangible) provided to the university for which the donor does not receive equal value in exchange for the money. The donor may put time and/or purpose and/or matching requirements on the gifts, but there is no equal value returned in exchange for the money. Gifts may be deposited initially with the CU Foundation, and then be transferred into the university’s Finance System in order to spend the gifts, or gifts may be deposited directly to the University, depending on the donor wishes. There is often some restricted purpose for the gifts.

- Those gifts available to fund current operating expenses should be recorded in the Gift fund (Fund 34).
- Those gifts restricted to Loan or Plant Fund purposes must be deposited in those funds. (Loan Fund 5x, Plant Fund 7x)
- Use revenue accounts within the range 240300–240999.

6. Indirect Cost Reimbursement Revenue

This classification includes the revenue from the facilities & administrative (F&A or indirect) cost charges to sponsored projects (Funds 30 and 31), and some student loan programs (Fund 50). The General Fund and some self-funded entities incur the costs that generated the revenue. The revenues generated by the General Fund are recorded in the ICR Fund (Fund 11). The revenues generated by the self-funded entities are recorded in Fund 20 (Research Property Services) and Fund 26 (LASP).

- Use revenue accounts within the range 3150000–315999.

7. Sales and Services of Educational Activities (SSEA) Revenue

This revenue classification includes:

1. Revenues that are related incidentally to the conduct of instruction, research, and public service and;
2. Revenues of activities that exist to provide an instructional and laboratory experience for students and that incidentally create goods and services that may be sold to the students, faculty, staff, and the general public.

The type of service rendered takes precedence over the form of agreement by which these services are rendered. Examples of revenues of educational activities are film rentals, sales of scientific and literary publications, testing services, and sales of products and services of dairy creameries, food technology divisions, poultry farms, and health clinics (apart from student health services) that are not part of a hospital.

If sales and services to students, faculty, or staff, rather than training or instruction, is the purpose of an activity, the revenue should be classified as sales and services of auxiliary enterprises or hospitals. This provision is at odds with the definition of an auxiliary enterprise and could result in the revenue being classified as auxiliary revenue but the expense being classified as education and general. To avoid this mismatch emphasis will be given to the previous discussion of auxiliary enterprises and the first criteria listed for SSEA revenue – “related incidentally to the conduct of instruction, research, and public service.”

The SSEA revenue classification is used primarily to record the revenue of education and general departments that is generated through departmental programs. Much of these revenues are generated from the academic endeavor and are certainly incidentally related to instruction, research and public service. Any revenue in excess of expense is then available to support departmental needs. There is an emphasis from the Office of State Controller to minimize the use of the Other Sources revenue classification, so the SSEA classification becomes the preferred choice for Education and General departmental generated revenues.

- SSEA revenues are accounted for in the 2x Funds.
- Use revenue accounts within the range 250000–259999.

Note: The SSEA classification cannot be used if the expense purpose code for the FOPPS is 1600-2200.

8. Other Sources

This revenue classification includes all sources of current funds revenue not included in the other classifications. Examples are miscellaneous rentals, and sales such as cash sales of internal service centers. Auxiliary enterprises should not use this revenue classification. As previously stated, all revenue of an auxiliary enterprise should be recorded in the auxiliary enterprise revenue accounts.

- Use revenue accounts within the range 320000–321999 for rental income
- Use revenue accounts within the range 325000–334999 for miscellaneous income (except for 325800–325899 royalty income).

XI. EDUCATIONAL & GENERAL FUNCTIONS (EPC CODES)

A. Instruction (EPC 1100)

This category should include expenditures for all activities that are part of an institution's instruction program, with the exception of expenditures for remedial and tutorial instruction which should be categorized as student services. Expenditures for credit and noncredit courses for academic, occupational, and vocational instruction, and for regular, special, and extension sessions should be included in the instruction function. Conferences are not included in this category, as they are classified as public service.

Expenditures for departmental research and public service that are not separately budgeted should be included in this classification. The instruction category excludes expenditures for academic administration when the primary assignment is administration, for example, academic deans. However, expenditures for department chairs, in which instruction is still an important role of the administrator, are included in this category.

EPC 1150 - Instruction Capital Grant

This EPC should be used for all capital equipment purchased for instruction purposes using grant funds.

B. Research (EPC 1200)

This category should include all expenditures for activities specifically organized to produce research outcomes, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution. Subject to these conditions, the research category includes expenditures for individual and/or project research as well as those of institutes and research centers. This category does not include all sponsored programs (training grants are an example) nor is it necessarily limited to sponsored research, since internally supported research programs, if separately budgeted, might be included in this category under the circumstances described above. Expenditures for departmental research that are separately budgeted for research are included in this category.

EPC 1250 - Research Capital Grant

This EPC should be used for all capital equipment purchased for research purposes using grant funds.

C. Public Service (EPC 1300)

This category should include funds expended for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. These activities include community service programs (excluding instructional programs) and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting and similar non-instructional services particular to sectors of the community.

EPC 1350 - Public service Capital Grant

This EPC should be used for all capital equipment purchased for public service purposes using grant funds.

D. Academic Support (EPC 1400)

This category should include funds expended primarily to provide support services for the institution’s primary missions—instruction, research, and public service. It includes (1) the retention, preservation, and display of educational materials—for example, libraries, museums, and galleries; (2) the provision of services that directly assist the academic functions of the institution, such as demonstration schools associated with a department, school, or college of education; (3) media, such as audiovisual services and technology such as computing support; (4) academic administration (including academic deans but not department chairmen) and personnel development providing administrative support and management directions to the three primary missions; and (5) separately budgeted support for course and curriculum development. For institutions that currently charge certain expenditures—e.g. computing support—directly to the various operating units of the institution, such expenditures are not reflected in this category.

EPC 1450 - Academic Support Capital Grant

This EPC should be used for all capital equipment purchased for academic support purposes using grant funds.

E. Student Services (EPC 1500)

This category should include funds expended for offices of admissions and registrar, and also those activities whose primary purpose is to contribute to the student's emotional and physical well-being and to his intellectual, cultural, and social development outside the context of the formal instruction program. It includes expenditures for student activities, cultural events, student newspapers, intramural athletics, student organizations, intercollegiate athletics (if the program is operated as an integral part of the department of physical education and not as an essentially self-supporting activity), supplemental educational services to provide matriculated students with supplemental instruction outside the normal academic program (remedial instruction is an example), counseling and career guidance (excluding informal academic counseling by the faculty), student aid administration, and student health service (if not operated as an essentially self-supporting activity).

EPC 1550 - Student Services Capital Grant

This EPC should be used for all capital equipment purchased for student services purposes using grant funds.

F. Institutional Support (EPC 1600)

This category should include expenditures for: (1) central executive-level activities concerned with management and long-range planning of the entire institution, such as the governing board, planning and programming, and legal services; (2) fiscal operations, including the investment office; (3) administrative data processing; (4) space management; (5) employee personnel and records; (6) logistical activities that provide procurement, storerooms, printing, and transportation services to the institution; (7) support services to faculty and staff that are not operated as auxiliary enterprises; and (8) activities concerned with community and alumni relations, including development and fund raising.

Appropriate allocations of institutional support should be made to auxiliary enterprises, hospitals, and any other activities not reported under the Education and General heading of expenditures. CU Boulder uses the General Administrative Recharge (GAR) and General Infrastructure Recharge programs (GIR) to allocate a portion of the institutional support and operation and maintenance of plant General Fund costs to all auxiliary and self-funded revenue sources. This is done at the time the auxiliary and self-funded sources are spent, whether from the current funds (2x) or plant funds (78). GAIR is not charged on cash transfers among these funds. The GAR and GIR programs further mandate that auxiliary and self-funded resources not be commingled with General Fund resources, otherwise they would lose their identity and GAIR could not be charged. Hence, CU has created R&R Fund

78 specifically for auxiliary and self-funded operations, and has implemented the restriction prohibiting the transfer of cash from an auxiliary/self-funded (2x) FOPPS to the General Fund.

EPC 1650 - Institutional Support Capital Grant

This EPC should be used for all capital equipment purchased for institutional support purposes using grant funds.

G. Operation of Plant (EPC 1700)

This category should include all expenditures of current operating funds for the operation and maintenance of physical plant, in all cases net of amounts charged to auxiliary enterprises, hospitals, and independent operations. It does not include expenditures made from the institutional plant fund accounts**.*** It includes all expenditures for operations established to provide services and maintenance related to grounds and facilities. Also included are utilities, fire protection, property insurance and similar items. NACUBO has recently added safety and security expenditures to this category. These were previously included in the institutional support category.

***** Under the *Audit Guide* there was an expenditure line called *Expended for Plant Facilities* to report plant fund expenditures. This expenditure line was abolished under the GASB 34/35 reporting. Therefore, any non-capitalized expenditures in the plant funds now must be categorized under the appropriate function. As a result, effective July 1, 2001, a control was put in place in the Finance System to only allow the use of fixed assets expense accounts (810000–812499) in the 7x Funds. CCO will use the primary function of the department to assign an EPC to the R&R FOPPS to categorize any non-capitalized expenses that might be left in these FOPPS.

EPC 1750 - Operation of Plant Capital Grant

This EPC should be used for all capital equipment purchased for operation and maintenance of plant purposes using grant funds.

H. Scholarships and Fellowships (EPC 1800)

This category (also referred to as financial aid) should include expenditures for scholarships and fellowships in the form of outright grants to students selected by the institution and financed from current funds, restricted or unrestricted. It also should include trainee stipends, prizes and awards, except for those trainee stipends awarded to individuals who are not enrolled in formal course work, which should be charged to instruction, research, or public service as appropriate. If the institution is given custody of the funds, but is not allowed to select the recipient of the grant, (for example, the federal Basic Educational Opportunity Grants program or ROTC scholarships), the funds should be reported in the agency funds group rather than in the current funds group.

The recipient of an outright grant is not required to perform service to the institution as a consideration for the grant, nor is the recipient expected to repay the amount of the grant to the funding source. When services are required in exchange for financial assistance, as in the College Work-Study Program, the charges should be classified as expenditures of the department or organizational unit to which the service is rendered. Aid provided to students in the form of tuition or fee remissions also should be included in this category. However, remissions of tuition and fees granted due to faculty or staff status, or because of family relationship of students to faculty or staff, should be recorded as staff benefit expenditures in the appropriate functional expenditure category.

In addition to defining financial aid expenses by the EPC assigned to programs and projects, these expenses are also reflected in student aid expense accounts 770000–772499. These accounts must only be used if there are no services required in exchange for the support. If services are required in any form, then that payment should be reflected as a type of salary expense or an employee benefit expense. For financial reporting purposes, all expenses in this range of accounts are classified on the Scholarship and Fellowship line regardless of the EPC on the program or project in which they are booked. All other expenses of the program or project are then classified according to the EPC assigned to that program or project. For example, Athletics programs are assigned EPC 2000, auxiliary enterprise. If any student aid expenses (accounts 770000–772499) are booked in the Athletics programs, those expenses will be classified on the Scholarship and Fellowship line of the financial statements. All other expenses of the Athletic programs (salaries, benefits, operating expense, travel, etc.) will be classified on the Auxiliary Operating Expenditure line.

EPC 1800 must only be assigned to programs and projects where all expenses in that program or project are considered to be financial aid. For example, if there is a training grant whose purpose is to provide financial support to a student in the form of stipend payments, tuition payments, paying for books and perhaps costs of doing research on a thesis or dissertation, then that project should be assigned EPC 1800. All expenses of that project would then be classified as scholarship and fellowships even though the appropriate natural classification of the individual expenses charged to the project was used.

I. *Internal Service Centers (EPC 2100)*

An internal service center (ISC) is an entity created primarily to provide goods/services to other institutional departments or organizational units. Incidental sales to the public are permitted. ISC examples include Transportation Center, Imaging Services, Telecommunications, Chemistry Stores, etc. A complete list of ISCs is available on the CCO website. Some ISCs **have** a substantial amount of sales to the public, such as electricity sales to Public Service Company by Co-generation and long distance service sales to students by Telecommunication Services. In these situations, looking at the customer base and revenues streams for each does not provide a clear-cut decision regarding whether to classify the entity as an ISC or an auxiliary enterprise. Therefore, professional judgment must be used to determine the primary reason the entity was created. In each of these two cases, the entity was created primarily to provide services to institutional departments and organizational units. Therefore, management's intent was to create an ISC, which is how these two entities are classified.

The *Audit Guide* SOP page 53 says that interdepartmental transactions between service departments and storerooms and other institutional departments or offices should not be reported as revenues of the service departments, but rather as reduction of expenditures of such departments, since these transactions are essentially interdepartmental transfers of costs.[xviii] The billed price of services and materials obtained from service departments and central stores by offices and departments of the institution should be accounted for as expenditures of those offices and departments, just as if they had been obtained from sources outside the institution. Any difference between costs and billed prices as recorded in the service department accounts, whether debit or credit, should be reported under the Institutional Support expenditures classification.

All ISCs are accounted for in the Auxiliary Internal Service Center Fund (Fund 28), except for Cogeneration and Telecommunication Services which are in Fund 20 due to their TABOR Enterprise designation. Therefore, all Fund 28 FOPPS should have an EPC of 2100, and no FOPPS outside of Fund 28 (with the exceptions of Cogeneration and Telecommunication Services) should have an EPC of 2100.

While the SOP requires that ISC sales not be reported as revenue, but rather as a reduction of expense, ISC managers need to be able to track their revenue separate from their expenses. Therefore, revenue accounts 380000–389999 have been established specifically for ISC sales to other departments or offices. Sales to private individuals such as students, faculty, staff, businesses, or Agency Fund FOPPS are true revenue to the institution, and must be recorded as miscellaneous revenue in accounts 325000–334999. It would be inappropriate to use the auxiliary revenue accounts for these sales, even the long distance sales to students, because these entities are not classified as auxiliary enterprises. The purchasing FOPPS will record expense in an expense account as if the purchase had been made from an outside vendor.

In order to meet the reporting requirement, the university's financial reports combine the Interdepartmental (IN) revenue and expense account amounts of ISCs on the Institutional Support expenditures category.

Please refer to Chapter 13 of *The Guide*, *Internal Service Centers*, for complete information on managing ISCs, including federal requirements.

J. Non-ISC Sales between Departments

To further understand the concept of non-ISC sales between departments, this section will look at non-ISC sales in the context of all internal sales. Occasionally one department will provide services to another department for a fee, or will sell unneeded supplies or equipment to the other department, even though neither department is a designated as an ISC. These sales can be just occasional, casual business transactions between departments, or they can be part of one department's role and mission, as is the case with Facilities Management. Facilities Management is designated as an Operation and Maintenance of Plant department (EPC1700) and not an ISC (EPC2100). Their role and mission is to maintain the physical plant of the campus. Since Facilities Management has the staff and expertise needed for their role and mission, they also offer to do work on a fee basis at the request of departments. Just like the activities of an ISC, these interdepartmental transactions must be recorded in a way so as to not inflate the revenue and expense of the institution through internal business activity.

Interdepartmental sales and purchases of goods and services (payment between FOPPS for goods/services provided) occur in one of three contexts.

1. Internal Service Center Sales (IN)

The selling department is a formal Internal Service Center (ISC) in a Fund 28 FOPPS as discussed above.

2. Auxiliary Enterprise Interdepartmental Sales

Auxiliary Enterprises are established to sell goods and services to outside parties, but will have miscellaneous sales to other University departments as discussed above.

3. Other Interdepartmental Revenue (ID)

The **selling department** is another type of university department in either Fund 10, 20, 26, or 29 (i.e., not an Internal Service Center or an Auxiliary

Enterprise). Departments in these FOPPS were set up for purposes other than to provide goods/services to other departments, but will occasionally do so. In other words, this category refers to those miscellaneous transactions providing goods or services from one department to another, e.g., sale of manufactured chemicals, sale of a professor's time to conduct a study, facility repair services, housing services, police services, etc. **Note:** FOPPS in Funds 28, 30, 31, 34, 50, 71, 72, 73, 74 and 78 cannot be selling departments for other interdepartmental sales (ID). The selling FOPPS will record revenue for other interdepartmental revenue (ID) in accounts 390000–399999 (Other ID Revenue).

The **purchasing FOPPS *must*** use an expense account from the designated list of Other Interdepartmental Expense accounts (Other ID Expense accounts). Departments cannot use just any expense account from the full chart of accounts. The ID revenue and expense accounts set up as of this original printing are listed in the Quick Reference Card section immediately following the Revenue section and preceding the Asset section. A complete and current list of ID revenue and expense accounts is on the Chart of Accounts available on the System Controller's website.

Each internal sale and purchase determined to be ID revenue must use the designated ID accounts in order to identify both sides of these transactions and thus report them on the university's financial statements and in the state's accounting system in a manner that does not inflate total revenue and expense resulting from internal sales. The department recording the transaction (usually the selling department) is responsible for ensuring the designated ID accounts are used on both the selling and purchasing FOPPS.

XII. TRANSFERS

Transfers are the movement of cash and fund balance from one fund to another. No goods or services are provided in exchange for the cash transfer. Remember that the *Audit Guide* ¶2.03 defines a *fund* as an accounting entity with a self-balancing set of accounts for recording assets, liabilities, fund balance, and changes in the fund balance.[xix] A portion of the assets is cash, and there are occasions when management wants to move cash and fund balance from one fund to another fund without involving a sale of goods or services between the two FOPPS. Examples include funding a new program for start-up costs, funding a capital construction project, or funding a renewal and replacement reserve. Transfers are further classified as *mandatory* or *voluntary* (or non-mandatory).

A. Mandatory Transfers

Mandatory transfers include transfers from the current funds group to other fund groups arising out of (1) binding legal agreements related to the financing of educational plant, such as amounts for debt retirement, interest, and required provisions for renewals and replacements of plant not financed from other sources and (2) grant agreements with agencies of the federal government, donors, and other organizations to match gifts and grants to loan and other funds. Mandatory transfers may be required to be made from either unrestricted or restricted current funds.

- Mandatory transfer use accounts 990000–994999.

B. Voluntary Transfers

Voluntary transfers include those transfers from the current funds group to other fund groups made at the discretion of the governing board (management) to serve a variety of objectives, such as additions to loan funds, additions to quasi-endowment funds, general or specific plant additions, voluntary renewals and replacements of plant, and prepayments on debt principal. Voluntary transfers also may involve the re-transfer of resources back to the current funds. Cash and fund balance transfers should not be done by moving revenue or expense.

- Voluntary transfers use accounts 995000–999999.

C. Restrictions on Transfers

Cash transfers are not permitted between all fund combinations. For example, the transfer of cash from the restricted current fund to the unrestricted current fund changes the nature and financial reporting of that cash. The transfer of cash between an agency fund and any other fund is never allowed, since agency funds represent an outside, private interest, and the processing of gifts to the university is guided by various administrative policies.

The following table shows the fund combinations where it is allowable to make cash transfers. To use this table, identify the fund of the FOPPS that is going to give up the cash (the **From** fund) on the left hand side of the table. Next, identify the FOPPS that is going to receive the cash (the **To** fund) along the top row of the table. If the intersection of these two funds says *Yes*, then a cash transfer is allowable between the two FOPPS. If the intersection is blank, then a cash transfer is not permitted between the two FOPPS.

Cash Transfer Table

TO FUND

FROM FUND

	10	11	20	26	28	29	30	31	34	50	71	72	73	74	78	80	99
10	BJE		yes	yes	yes	yes					yes	yes	yes				
11																	
20[1]			yes	yes	yes	yes					yes		yes		yes		
26			yes	yes	yes	yes					yes		yes		yes		
28															yes		
29			yes	yes	yes	yes					yes		yes		yes		
30																	
31																	
34[2]									yes		yes						
50																	
71	yes		yes	yes		yes			yes		yes	yes	yes		yes		
72	yes										yes	yes	yes				
73	yes		yes	yes		yes					yes	yes	yes		yes		
74																	
78			yes	yes	yes	yes					yes		yes		yes		
80																yes	
99																	

[1]**Fund 20 Note:** Athletics, Bookstore, Housing, Parking, Real Estate Leasing Facilities & Operations, RBRF, Recreation Center, Research Buildings, Research Park, Research Support Operations, Student Organizations Finance Office/UCSU, Telecommunications, UMC, and Wardenburg are not allowed to make cash transfers to the General Fund. In addition, for those FOPPS with Auxiliary Enterprise Attributes of PAA, PAB, PAD, PAH, PAM, PAP, PAR, PAS, PAU, PRL, PRR, POO, POT, and POY, Revised Statute 23-5-103(3) prohibits auxiliary facilities whose net income is pledged to revenue bonds from making cash transfers to any entity whose net income is NOT cross-pledged to revenue bonds.

[2]**Fund 34 Note:** The primary Gift Purpose Codes must match on fund 34 transfers or it must receive approval from the CCO Gift Fund Accountant.

XIII. REVENUE DEFINITION

Now that the various classifications of revenue have been defined, it is important to identify what ***is*** revenue. Identifying what is revenue is critical not only from an accounting and financial reporting audit standpoint, but also to ensure that the university is in full compliance with the TABOR reporting requirements. For example, one of the dangers the institution must constantly guard against is the tendency to describe a cash receipt as an "expense reimbursement" and account for it as a credit (reduction) of expense rather than as revenue. This is "netting revenue against expense" and is a violation of both GAAP and TABOR. The *Revenue Definition and Recognition* section of the OUC Accounting Handbook provides guidance on revenue accounting for CU.

The first task in identifying revenue is to look at every dollar received from an outside source, versus another FOPPS, and decide whether it is:

- Revenue according to the directives in the *Revenue Definition and Recognition* APS suite,
- A balance sheet activity, or
- A credit expense.

Certain payments may need to be posted to a balance sheet account. Examples include:

- Accounts receivable—if this is a payment from a customer on account
- Loans receivable—if this is a principal payment on an outstanding loan due from a student
- Travel advance—if an employee is returning unused advances
- Sales tax payable—if this is sales tax collected on a sale
- Unearned revenue—if this is payment from a customer in advance of you providing the goods/services
- Undistributed receipts—if the purpose of the payment is not evident and therefore has to be researched
- Deposits held in custody—if this is payment held as security for the issuance of something such as a lab tray, key, blueprints, agency fund deposits, etc. to be held and returned to the depositor upon the satisfactory return of the issuance
- Bonds or other debt payable—if debt was issued.

If it is determined that the payment does not qualify under any of the above criteria, or with respect to any other balance sheet account, then the assumption should be that the payment is revenue. Select the proper revenue account based on the discussions above.

Sometimes, a department receives payment from an outside source in exchange for providing goods and services and wants to credit the payment against expense. The logic used by the department is that "the outside entity is just reimbursing us for our expense or the cost of providing the goods and services." For example, a faculty person is working temporarily at another university, but the faculty is still on the CU payroll and the other university is "just reimbursing us for the salary and benefits of our faculty member." It is not appropriate to use CU business processes to pay the expenses of an outside entity, and then be reimbursed for those expenses. CU business processes are to be used only for CU business. Therefore, since the faculty member is still on the CU payroll, it must be assumed that the faculty is engaged in CU business and that, consequently, CU is selling faculty services to the other university. Thus, the payment must be recorded as revenue. This holds true for all other situations in which CU is incurring an expense by providing goods and services to an outside entity, and then that entity subsequently pays the university for those good or services. The absence of a profit in the transaction does not change the fact that there is revenue.

Expenses should only be credited under the limited circumstances provided in the *Revenue Definition and Recognition* APS. Typically this occurs only when the university has returned goods and/or services to the vendor from which they were purchased, and the vendor has refunded the purchase price. Another situation that could result in crediting an expense is when a university employee uses university funds for personal expense. For example, if a faculty member needed to add another flight leg to a university business trip for personal reasons and needs to reimburse the university for these personal expenses (i.e., the entire trip is not official university business), then the expense should be credited.

XIV. REVENUE RECOGNITION TIMING

Another major issue in revenue accounting is when to recognize or record the revenue. A common practice is to record the revenue when we receive payment (cash) from the customer. This is referred to as the cash basis of accounting. However, the university uses the accrual basis of accounting and that means we record the revenue at the point of sale regardless of when we receive payment from the customer.

A. Exchange Transactions

Revenue from exchange transactions (each party receives and gives up essentially equal values, GASB 33, ¶1)[xx] occurs and should be recorded when the goods and/or services have been provided per the agreement with the customer. Under an accrual accounting system, the recognition of revenue is independent from when the cash is received.

If cash is received at the time of providing the goods/services, then a cash receipt form should be used to record the revenue when the cash is deposited through the Office of Cash Management office in Regent Hall.

If cash is to be received at a later date, an online journal entry should be used to record accounts receivable and revenue in the month in which the goods/services were provided. Follow the guidelines in Chapter 12 *Accounts Receivable and Allowances* of *The Guide*.

If cash is received in advance of providing the goods/services, then the cash has been received before it has been earned, and it is *Unearned Revenue*. The cash receipt form should be used to deposit the cash into Unearned Revenue, liability accounts 150200–150299. Upon providing the goods/services, an online journal entry should be completed to reduce unearned revenue and record revenue.

The above pertains only to exchange transactions with customers **external to the university**. All internal transactions (ISC sales, miscellaneous sales between departments) should not be accrued as receivables and payables between departments, but should be recorded as revenue/expense upon providing the goods/services.

B. Nonexchange Transactions

Sometimes the receipt of money is the result of a nonexchange transaction. GASB 33 ¶1 defines a nonexchange transaction as one in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange[1]. Footnote 1 discusses exchange-like transactions.[xxi] Nonexchange transactions are further classified as "**imposed nonexchange transactions**" and "**voluntary nonexchange transactions**."

1. Imposed Nonexchange Transactions

GASB 33 ¶7.b. describes imposed nonexchange revenues as those resulting from assessments.[xxii] Examples include fines and penalties such as late payment fees, parking tickets, bad check fees, etc. The principal characteristic of these transactions is that the required transmittal of resources to the assessing government is *imposed* by that government on an act committed or omitted by the provider that is not an exchange transaction. Revenue and accounts receivable from these imposed nonexchange transactions should be recorded in the month in which an enforceable legal claim to the assets arises (GASB 33 ¶17).[xxiii]

2. Voluntary Nonexchange Transactions

GASB 33 ¶7.d. describes voluntary nonexchange transactions as those resulting from legislative or contractual agreements[6] (other than exchanges) entered into willingly by two or more parties. Footnote 6 says that the contractual agreements include oral as well as written contracts, provided they are verifiable.[xxiv]

Examples of voluntary nonexchange transactions include certain grants, certain entitlements, and donations by nongovernmental entities, including individuals (private donations). Frequently, the provider establishes purpose restrictions and eligibility requirements. In many cases, the provider may require the return of the resources if the purpose restrictions or eligibility requirements are contravened after recognition of the transaction. (Refer to GASB 33 for a complete discussion on purpose restrictions and eligibility requirements.) The principal characteristics of voluntary nonexchange transactions are (1) they are *not* imposed on the provider or the recipient and (2) fulfillment of eligibility requirements is essential for a transaction (other than the provision of cash or other assets in advance) to occur. The primary source of voluntary nonexchange transactions for CU is gifts. All gifts are recorded as revenue when transmitted from the Foundation to CU or when deposited directly to a gift FOPPS from the donor.

XV. ATTACHMENTS

Exhibits that provide examples of the *Audit Guide* financial reports as well as the GASB 34/35 financial reports can be found on the pages that follow.

Attachment A—*Audit Guide* Statements

- Exhibit 1 Balance Sheet
- Exhibit 2 Statement of Changes in Fund Balances
- Exhibit 3 Statement of Current Funds Revenues, Expenditures and Other Changes

Attachment B—GASB 34/35 Statements

- Exhibit 1 Statement of Net Assets
- Exhibit 2 Statement of Revenue, Expenses and Changes in Net Assets
- Exhibit 3 Statement of Cash Flows

Attachment C—Fiscal Year 2001 Audit Guide Statements for CU Boulder

- Exhibit 1 Balance Sheet
- Exhibit 2 Statement of Changes in Fund Balances
- Exhibit 3 Statement of Current Funds Revenues, Expenditures and Other Changes

Attachment A – Sample Audit Guide *Statements*

Exhibit 1

(Back to text page 3, 8)

SAMPLE EDUCATIONAL INSTITUTION
Balance Sheet
June 30, 201x
with comparative figures at June 30, 201x

Assets	Current year	Prior year	Liabilities and Fund Balances	Current year	Prior year
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
Cash	$ 210,000	$ 110,000	Accounts payable	$ 125,000	$ 100,000
Investments	450,000	360,000	Accrued liabilities	20,000	15,000
Accounts receivable, less allow-			Student's deposits	30,000	35,000
ance of $18,000 both years	228,000	175,000	Due to other funds	158,000	120,000
Inventories at lower of cost (first-in			Deferred credits	30,000	20,000
first-out basis) or market	90,000	80,000	Fund balance	643,000	455,000
Prepaid expenses & deferred charges	28,000	20,000			
Total unrestricted	1,006,000	745,000	Total unrestricted	1,006,000	745,000
Restricted:			Restricted:		
Cash	145,000	101,000	Accounts payable	14,000	5,000
Investments	175,000	165,000	Fund balances	446,000	421,000
Accounts receivable, less allow-					
ance of $8,000 both years	68,000	160,000			
Unbilled charges	72,000	- - - - -			
Total restricted	460,000	426,000	Total restricted	460,000	426,000
Total current funds	1,466,000	1,171,000	Total current funds	1,466,000	1,171,000
Loan funds:	30,000	20,000	Loan funds:		
Cash	100,000	100,000	Fund balances:		
Investments			U.S. government grants refundable	50,000	33,000
Loans to students, faculty, & staff,			University funds		
less allowance of $10,000 current			Restricted	483,000	369,000
year and $9,000 prior year	550,000	382,000	Unrestricted	150,000	100,000
Due from unrestricted funds	3,000	- - - - -			
Total loan funds	683,000	502,000	Total loan funds	683,000	502,000
Endowment and similar funds:			Endowment and similar funds:		
Cash	100,000	101,000	Fund balances:		
Investments	13,900,000	11,800,000	Endowment	7,800,000	6,740,000
			Term endowment	3,840,000	3,420,000
			Quasi-endowment unrestricted	1,000,000	800,000
			Quasi-endowment restricted	1,360,000	941,000
Total endowment and similar funds	14,000,000	11,901,000	Total endowment and similar funds	14,000,000	11,901,000

continued

FUNDANDREVENUE ACCOUNTING

SAMPLE EDUCATIONAL INSTITUTION
Balance Sheet, continued

Assets	Current year	Prior year	Liabilities and Fund Balances	Current year	Prior year
Annuity and life income funds:			Annuity and life income funds:		
Annuity funds:			Annuity funds:		
Cash	55,000	45,000	Annuities payable	2,150,000	2,300,000
Investments	3,260,000	3,010,000	Fund balances	1,165,000	755,000
Total annuity funds	3,315,000	3,055,000	Total annuity funds	3,315,000	3,055,000
Life income funds:			Life income funds:		
Cash	15,000	15,000	Income payable	5,000	5,000
Investments	2,045,000	1,740,000	Fund balances	2,055,000	1,750000
Total life income funds	2,060,000	1,755,000	Total life income funds	2,060,000	1,755,000
Total annuity and life income funds	5,375,000	4,810,000	Total annuity and life income funds	5,375,000	4,810,000
Plant funds:			Plant funds:		
Unexpended:			Unexpended:		
Cash	275,000	410,000	Accounts payable	10,000	-----
Investments	1,285,000	1,590,000	Notes payable	100,000	-----
Due from unrestricted current funds	150,000	120,000	Bonds payable	400,000	-----
			Fund balances:		
			Restricted	1,000,000	1,860,000
			Unrestricted	200,000	260,000
Total unexpended	1,710,000	2,120,000	Total unexpended	1,710,000	2,120,000
Renewals and replacements:			Renewals and replacements:		
Cash	5,000	4,000	Fund balances:		
Investments	150,000	286,000	Restricted	25,000	180,000
Deposits with trustees	100,000	90,000	Unrestricted	235,000	200,000
Due from unrestricted current funds	5,000	- - - - -			
Total renewals and replacements	260,000	380,000	Total renewals and replacements	260,000	380,000
Retirement of indebtedness:			Retirement of indebtedness:		
Cash	50,000	40,000	Fund balances:		
Deposits with trustees	250,000	253,000	Restricted	185,000	125,000
			Unrestricted	115,000	168,000
Total retirement of indebtedness	300,000	293,000	Total retirement of indebtedness	300,000	293,000
Investment in plant::			Investment in plant::		
Land	500,000	500,000	Notes payable	790,000	810,000
Land improvements	1,000,000	1,110,000	Bonds payable	2,200,000	2,400,000
Buildings	25,000,000	24,060,000	Mortgages payable	400,000	200,000
Equipment	15,000,000	14,200,000	Net investment in plant	38,210,000	36,540,000
Library books	100,000	80,000			
Total Investment in plant	41,600,000	39,950,000	Total Investment in plant	41,600,000	39,950,000
Total plant funds	43,870,000	42,743,000	Total plant funds	43,870,000	42,743,000

continued

SAMPLE EDUCATIONAL INSTITUTION
Balance Sheet, continued

Assets	Current year	Prior year	Liabilities and Fund Balances	Current year	Prior year
Agency funds:			Agency funds:		
Cash	50,000	70,000	Deposits held in custody for others	110,000	90,000
Investments	60,000	20,000			
Total agency funds	110,000	90,000	Total annuity funds	110,000	90,000

Attachment A - Exhibit 2

SAMPLE EDUCATIONAL INSTITUTION
Statement of Changes in Fund Balances
Year Ended June 30, 201x

	Current Funds					Plant Funds			
	Unre-stricted	Re-stricted	Loan Funds	Endow-ment & Similar Funds	Annuity & Life Income Funds	Unex-pended	Renewal and Replace-ments	Retire-ment of Indebt-edness	Invest-ment in Plant
Revenues and other additions:									
Unrestricted current fund revenues	$ 7,540,000								
Expired term endowment - restricted						50,000			
State appropriations - restricted						50,000			
Federal grants & contracts restricted		500,000							
Private gifts, grants, and contracts - restricted		370,000	100,000	1,500,000	800,000	115,000		65,000	15,000
Investment income - restricted		224,000	12,000	10,000		5,000	5,000	5,000	
Realized gains on investments - unrestricted				109,000					
Realized gains on invest-ments -restricted			4,000	50,000		10,000	5,000	5,000	
Interest on loans receivable			7,000						
U.S. government advances			18,000						
Expended for plant facil - ities (including $100,000 charged to current fund expenditures)									1,550,000
Retirement of indebtedness									220,000
Accrued interest on sale of bonds								3,000	
Matured annuity and life income restricted to endowment				10,000					
Total revenues and other additions	7,540,000	1,094,000	141,000	1,679,000	800,000	230,000	10,000	78,000	1,785,000

continued

SAMPLE EDUCATIONAL INSTITUTION
Statement of Changes in Fund Balances - continued
Year Ended June 30, 201x

	Current Funds					Plant Funds			
	Unre-stricted	Re-stricted	Loan Funds	Endow-ment & Similar Funds	Annuity & Life Income Funds	Unex-pended	Renewal and Replace-ments	Retire-ment of Indebt-edness	Invest-ment in Plant
Expenditures and other deductions:									
Educational and general expenditures	4,400,000	1,014,000							
Auxiliary enterprises expenditures									
Indirect costs recovered		35,000							
Refunded to grantors		20,000	10,000						
Loan cancellations and write-offs			1,000						
Administrative and collection costs			1,000					1,000	
Adjustment of actuarial liability for annuities payable					75,000				
Expended for plant facilities (including non-capitalized expenditures of $75,000)						1,200,000	300,000		
Retirement of indebtedness								220,000	
Interest on indebtedness								190,000	
Disposal of plant facilities									115,000
Expired term endowments ($40,000 unrestricted, ($75,000 restricted to plant)				90,000					
Matured annuity and life income funds restricted to endowment					10,000				
Total expenditures and other deductions	6,230,000	1,069,000	12,000	90,000	85,000	1,200,000	300,000	411,000	115,000

continued

SAMPLE EDUCATIONAL INSTITUTION
Statement of Changes in Fund Balances - continued
Year Ended June 30, 201x

	Current Funds					Plant Funds			
	Unre-stricted	Re-stricted	Loan Funds	Endow-ment & Similar Funds	Annuity & Life Income Funds	Unex-pended	Renewal and Replace-ments	Retire-ment of Indebt-edness	Invest-ment in Plant
Transfers among funds - additions/(deductions):									
Mandatory:								340,000	
Principal and interest	(340,000)								
Renewals & replacements	(170,000)						170,000		
Loan fund matching grant	(2,000)		2,000						
Unrestricted gifts allocated	(650,000)		50,000	550,000		50,000			
Portion of unrestricted quasi-endowment funds investment gains appropriated	40,000			(40,000)					
Total Transfers	(1,122,000)		52,000	510,000		50,000	170,000	340,000	
Net increase/(decrease) for the year	188,000	25,000	14,000	2,099,000	715,000	(920,000)	(120,000)	7,000	1,670,000
Fund balance at beginning of the year	455,000	421,000	502,000	11,901,000	2,505,000	2,120,000	380,000	293,000	36,540,000
Fund balance at end of the year	$643,000	$446,000	$683,000	$14,000,000	$3,220,000	$1,200,000	$260,000	$300,000	$38,210,000

FUNDANDREVENUE ACCOUNTING

Attachment A - Exhibit 3

SAMPLE EDUCATIONAL INSTITUTION
Statement of Current Funds Revenues, Expenditures, and Other Changes
Year Ended June 30, 201x

	Current Year			
Revenues:	**Unrestricted**	**Restricted**	**Total**	**Prior Year Total**
Tuition and fees	$2,600,000		2,600,000	2,300,000
Federal appropriations	500,000		500,000	500,000
State appropriations	700,000		700,000	700,000
Local appropriations	100,000		100,000	100,000
Federal grants and contracts	20,000	375,000	395,000	350,000
State grants and contracts	10,000	25,000	35,000	200,000
Local states and contracts	5,000	25,000	30,000	45,000
Private gifts, grants and contracts	850,000	380,000	1,230,000	1,190,000
Endowment income	325,000	209,000	534,000	500,000
Sales and services of educational depts	190,000		190,000	195,000
Sales and services of auxiliary enterprises	2,200,000		2,200,000	2,100,000
Expired term endowment	40,000		40,000	
Other sources (if any)				
Total current revenues	7,540,000	1,014,000	8,554,000	8,180,000
Expenditures and mandatory transfers:				
Educational and general:	2,960,000	489,000	3,449,000	3,300,000
Instruction	100,000	400,000	500,000	650,000
Research	130,000	25,000	155,000	175,000
Public service	250,000		250,000	225,000
Academic support	200,000		200,000	195,000
Student services	450,000		450,000	445,000
Institutional support				
Operation and maintenance of plant	220,000		220,000	200,000
Scholarships and fellowships	90,000	100,000	190,000	180,000
Educational and general expenditures	4,400,000	1,014,000	5,414,000	5,370,000
Mandatory transfers for				
Principal and interest	90,000		90,000	50,000
Renewals and replacements	100,000		100,000	80,000
Loan fund matching grant	2,000		2,000	
Total educational and general	4,592,000	1,014,000	5,606,000	5,500,000
Auxiliary enterprises				
Expenditures	1,830,000		1,830,000	1,730,000
Mandatory transfers for				
Principal and interest	250,000		250,000	250,000
Renewals and replacements	70,000		70,000	70,000
Total auxiliary enterprises	2,150,000		2,150,000	2,050,000
Total expenditures and mandatory transfers	6,742,000	1,014,000	7,756,000	7,550,000
Other transfers and additions/(deductions):				
Excess of restricted receipts over transfers to revenues		45,000	45,000	40,000
Refunded to grantors		(20,000)	(20,000)	
Unrestricted gifts allocated to other funds	(650,000)		(650,000)	(510,000)
Portion of quasi-endowmentgains appropriated	40,000		40,000	
Net increase in fund balances	188,000	25,000	213,000	160,000

Attachment B – CU Boulder GASB 34/35 Statements

Exhibit 1

(back to text page 3)

University of Colorado at Boulder

Statement of Net Assets (SNA)

June 30, 2002

Current Assets	
Pooled Cash & Investments	$206,232,980
Cash & Cash Equivalents	314,340
Total Current Cash & Cash Equivalents	206,547,320
Short-term Investments	3,876,454
Accounts Receivable	40,523,859
Less Allowance for Accounts Receivable	(6,135,862)
Sub-Total Net A/R	34,387,997
Loans Receivable, Current Portion	-
Less Allowance for Loans Receivable	-
Sub-Total Net Loans Receivable, Current Portion	-
Inventories	4,371,629
Other Current Assets	970,920
Total Current Assets	250,154,320
Noncurrent Assets	
Restricted Cash & Cash Equivalents	2,603,538
Long-term Investments	49,232,451
Accounts Receivable	-
Loans Receivable	16,809,802
Less Allowance for Loans Receivable	(1,488,758)
Sub-Total Net Loans Receivable	15,321,044
Other Noncurrent Assets	1,236,292
Nondepreciable Capital Assets:	
Land	15,421,688
Construction in Progress	105,488,913
Collections	4,464,242
Sub-Total Nondepreciable Capital Assets	125,374,843
Depreciable Capital Assets, Net:	
Buildings	490,024,904
Improvements Other Than Buildings	57,250,270
Equipment	147,759,991
Library Collections	137,213,776
Less: Accumulated Depreciation	(413,326,446)
Sub-Total Depreciable Capital Assets, Net	418,922,495
Total Non-Current Assets	612,690,663
Total Assets	862,844,983

continued on next page

Statement of Net Assets (SNA) - continued

Current Liabilities	
Accounts Payable	23,370,000
Accrued Expenses	23,749,104
Compensated Absence Liabilities, Current Portion	1,648,210
Unearned Revenue	28,616,717
Deposits Held for Others	10,506,335
Bonds, Notes and Leases Payable, Current Portion	9,597,588
Other Current Liabilities	1,324,118
Total Current Liabilities	98,812,072
Noncurrent Liabilities	
Compensated Absence Liabilities	21,897,646
Bond, Notes, and Leases Payable, Non-Current Portion	155,258,392
Risk financing related liabilities	-
Other Non-Current Liabilities	8,819,598
Total Noncurrent Liabilities	185,975,636
Total Liabilities	284,787,708
Due To and Due From	(2,679,703)
Placeholders/Inactive	-
Total Other	(2,679,703)
Net Assets	
Invested in Capital Assets, Net of Related Debt	424,013,909
Restricted for Nonexpendable Purposes (endowments):	
Academic Support	-
Scholarships and Fellowships	-
Capital	-
Other	-
Sub-Total Restricted for Nonexpendable Purposes	-
Restricted for Expendable Purposes	
Instruction	6,021,081
Research	429,808
Student Services	18,690,119
Institutional Support	1,964,918
Scholarships and Fellowships	-
Capital	1,608,812
Other	3,028,637
Sub-Total Restricted for Expendable Purposes	31,743,375
Unrestricted	119,620,290
Total Net Assets	**$575,377,574**

FUNDANDREVENUE ACCOUNTING

University of Colorado at Boulder

Statement of Revenue, Expenses and Changes in Net Assets (SRECNA)
Year Ended June 30, 2002

REVENUES	
Operating Revenues	
Student tuition & fees (net of scholarship allowances)	$207,263,060
Federal grants and contracts	205,212,528
State and local grants and contracts	11,667,005
Nongovernmental grants and contracts	12,272,255
Sales and services of educational departments	21,976,453
Auxiliary enterprises: (net of scholarship allowances, of pledged revenue	93,796,566
Health Services	-
Denver AHEC Library funding	-
Other operating revenues	11,318,811
Total operating revenues	563,506,678
EXPENSES	
Operating Expenses	
Education and general:	
Instruction	204,783,995
Research	149,054,407
Public service	3,408,542
Academic support	49,420,401
Student services	45,172,383
Institutional support	27,109,494
Operation & maintenance of plant	31,704,412
Student aid	15,909,981
Depreciation	36,962,697
Auxiliary enterprises:	87,415,875
Health Services	-
Other expenditures	-
Total operating expenses	650,942,187
Operating income (loss)	(87,435,509)

continued on next page

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) - continued

NONOPERATING REVENUES (EXPENSES)	
State appropriations	79,140,460
Gifts	23,317,804
Investment income (net of investment expense)	1,918,500
Investment expense	(25,228)
Gain (loss) on disposal of fixed assets	(4,662,127)
Gain (loss) on debt extinguishment	-
Interest on capital asset related debt	(3,504,721)
Other nonoperating revenues (expenses)	2,490,533
Net nonoperating revenues	98,675,221
Income before other revenues, expenses, gains, or losses	11,239,712
Capital appropriations	15,659,885
Capital grants and gifts	13,930,204
Additions (deletions) to permanent endowments	-
Total other revenues	29,590,089
ICR Transfers	-
Mandatory Transfers	-
Voluntary Transfers	11,596,532
Inactive Accounts/Placeholders	-
Budget Addition/Deletion	-
Fixed Asset Additions	-
Financing Activity	-
Total other additions/deletions	11,596,532
Increase in net assets	52,426,333
Net assets - beginning of year…………	925,972,192
Restatement	(403,020,948)
Net assets - beginning of year restated	522,951,244
Net assets - end of year………………..	$575,377,577

University of Colorado at Boulder

Statement of Cash Flows

For the Year Ended June 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition & fees	$ 33,628,945
Research grants & contracts	13,884,747
Payments to suppliers	(28,175,500)
Payments to employees	(87,233,881)
Loans issued to students and employees	(384,628)
Collection of loans to students and employees	291,642
Auxiliary enterprise charges:	
Residence halls	26,327,644
Bookstore	8,463,939
Other receipts (payments)	1,415,502
Net cash provided (used) by operating activities	(31,781,590)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	39,388,534
Gifts and grants received for other than capital purposes:	
Private gifts for endowment purposes	85,203
Net cash flows provided by noncapital financing activities	39,473,737
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	4,125,000
Capital appropriations	1,918,750
Capital grants and gifts received	640,813
Proceeds from sale of capital assets	22,335
Purchase of capital assets	(8,420,247)
Principal paid on capital debt and lease	(3,788,102)
Interest paid on capital debt and lease	(1,330,126)
Net cash used by capital and related financing activities	(6,831,577)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales & maturities of investments	16,741,252
Interest on investments	2,111,597
Purchase of investments	(17,680,113)
Net cash provided (used() by investing activities	1,172,736
Net increase in cash	2,033,306
Cash - beginning of year	2,562,112
Cash - end of year	$ 4,595,418

Statement of Cash Flows - continued

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition & fees	$ 33,628,945
Research grants & contracts	13,884,747
Payments to suppliers	(28,175,500)
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Proceeds from sales & maturities of investments	16,741,252
Interest on investments	2,111,597
Purchase of investments	(17,680,113)
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Net increase in cash	2,033,306
Cash - beginning of year	2,562,112
Cash - end of year	$ 4,595,418

Attachment C – CU Boulder Audit Guide *Statements*

Exhibit 1

(back to text page 4)

University of Colorado - Boulder
BALANCE SHEET
6/30/2001

	CURRENT FUNDS					PLANT FUNDS			(Memorandum Only)	
	State Appropriated Funding	Auxiliary & Self-funded Activities	Restricted Fund	Student Loan Fund	Endowment and Similar Funds	Unexpended	Retirement of Indebt-edness	Investment in Plant	Total 6/30/2001	Total 6/30/2000
ASSETS										
Cash and cash equivalent	40,110	264,643	--	--	--	32,455	--	--	**337,208**	450,784
Investments	31,811,423	43,752,654	3,279,847	2,240,316	--	98,342,474	5,051,911	--	**184,478,625**	178,008,041
Accounts Receivable (less allowance for doubtful receivable $7,491,011 in 2001 and $7,345,349 in 2000)	4,223,653	4,511,920	26,478,641	--	--	2,225	15,595	--	**35,232,034**	30,084,147
Inventories	593,633	3,526,471	--	--	--	--	--	--	**4,120,104**	4,315,598
Other assets	2,419,304	2,084,213	177,867	--	--	892,127	--	--	**5,573,511**	5,353,276
Notes/loans receivable (less allowance for doubtful receivable $1,763,944 in 2001 and $1,754,159 in 2000)	--	--	--	15,877,307	--	--	--	--	**15,877,307**	16,152,492
Construction in progress	--	--	--	--	--	60,312,483	--	--	**60,312,483**	23,161,278
Fixed assets										
Land and improvements	--	--	--	--	--	--	--	68,331,109	**68,331,109**	65,445,934
Buildings	--	--	--	--	--	--	--	476,151,872	**476,151,872**	460,928,760
Equipment/Library holdings	--	--	--	--	--	--	--	277,947,279	**277,947,279**	257,034,936
Due from other funds	--	--	--	--	--	85,710	--	--	**85,710**	85,710
Total Assets	$39,088,123	$54,139,901	$29,936,355	$18,117,623	--	$159,667,474	$5,067,506	$822,430,260	**$1,128,447,242**	$1,041,021,056
LIABILITIES										
Accounts payable and accrued expense	16,637,061	8,469,072	11,889,262	5,709	--	3,845,058	357,107	--	**41,203,269**	42,521,173
Accrued compensated absences	13,093,743	5,048,799	193,841	--	--	--	--	--	**18,336,383**	20,389,777
Unearned revenue	10,253,919	20,891,469	--	--	--	--	--	--	**31,145,388**	28,008,635
Notes/mortgages payable	--	--	--	--	--	16,741,443	--	323,160	**17,064,603**	4,044,017
Lease purchases payable	--	--	--	--	--	--	--	27,710,361	**27,710,361**	33,216,876
Revenue bonds payable	--	--	--	--	--	5,039,944	--	42,802,361	**47,842,305**	49,069,999
Risk financing related liabilities	--	--	--	--	--	--	--	--	**--**	--
Other liabilities	6,860,336	2,482,974	569,230	--	--	17,161	59,854	--	**9,989,555**	9,995,325
Due to other funds	--	8,983,016	--	--	--	--	--	191,569	**9,174,585**	9,225,814
Total liabilities	46,845,059	45,875,330	12,652,333	5,709	--	25,643,606	416,961	71,027,451	**202,466,449**	196,471,616
FUND BALANCES										
Designated for compensated abs	(13,093,743)	(5,048,799)	(193,841)	--	--	--	--	--	**(18,336,383)**	(20,389,777)
Restricted or internally designated	5,336,807	13,313,370	17,477,863	18,111,914	--	134,023,868	4,650,545	--	**192,914,367**	164,329,807
Net investment in plant	--	--	--	--	--	--	--	751,402,809	**751,402,809**	700,609,412
Total fund balances	(7,756,936)	8,264,571	17,284,022	18,111,914	--	134,023,868	4,650,545	751,402,809	**925,980,793**	844,549,442
Total Liabilities and Fund Balances	$39,088,123	$54,139,901	$29,936,355	$18,117,623	$ –	$159,667,474	$5,067,506	$822,430,260	**$1,128,447,242**	$1,041,021,058

The accompanying summary of accounting policies and notes are an integral part of this statement. Contact the Office of Accounting and Business Support.

University of Colorado - Boulder
STATEMENT OF CHANGES IN FUND BALANCES
For the period ended 06/30/2001

	CURRENT FUNDS					PLANT FUNDS			(Memorandum Only)	
	State Appro-priated Funding	Auxiliary & Self-funded Activities	Restricted Fund	Student Loan Funds	Endow-ment & Similar Funds	Unex-pended	Retire-ment of Indebt-edness	Invest-ment in Plant	Total 06/30/01	Total 06/30/00
REVENUES AND OTHER ADDITIONS:										
State of Colorado appropriations	$ 79,685,479	--	7,658,697	--	--	21,277,945	--	--	**108,622,121**	98,685,058
Student tuition and fees	179,768,827	23,093,632	--	--	--	--	--	--	**202,862,459**	189,263,384
Investment and interest income (loss)	--	572,990	1,230,449	343,265	--	199,417	139,748	--	**2,485,869**	2,199,781
Federal grants, contracts & advances	--	--	199,383,213	--	--	269,849	--	--	**199,653,062**	269,923,070
State and local grants & contracts	--	--	3,737,595	--	--	--	--	--	**3,737,595**	4,889,581
Private and other gifts, grants, & contracts	--	--	37,783,609	--	--	4,179,797	605,250	1,487,519	**44,011,175**	33,329,989
Sales and services of educational departments	--	12,299,505	--	--	--	--	--	--	**12,299,505**	13,766,884
Additions to plant facilities	--	--	--	--	--	--	--	44,202,202	**44,202,202**	60,684,452
Retirement of indebtedness	--	--	--	--	--	--	--	12,737,861	**12,737,861**	11,518,854
Gain (loss) on debt extinguishment	--	--	--	--	--	--	--	(567,118)	**(567,118)**	--
Auxiliary operating revenue	--	92,881,369	--	--	--	--	--	--	**92,881,369**	88,080,700
Hospitals and clinics	--	--	--	--	--	--	--	--	**--**	--
Indirect cost reimbursement	32,363,296	7,252,340	--	--	--	--	--	--	**39,615,636**	36,865,197
Denver AHEC library funding	--	--	--	--	--	--	--	--	**--**	--
Other additions	6,493,884	11,717,893	731	216,930	--	85,004	--	--	**18,514,442**	17,922,987
Total Revenues and Other Additions	$298,311,486	147,817,729	249,749,294	560,195	--	26,012,012	744,998	57,860,464	**781,056,178**	827,129,937

continued

University of Colorado - Boulder
STATEMENT OF CHANGES IN FUND BALANCES - continued

	CURRENT FUNDS					PLANT FUNDS			(Memorandum Only)	
	State Appro-priated Funding	Auxiliary & Self-funded Activities	Restricted Fund	Student Loan Funds	Endow-ment & Similar Funds	Unex-pended	Retire-ment of Indebt-edness	Invest-ment in Plant	Total 06/30/01	Total 06/30/00
EXPENDITURES/OTHER DEDUCTIONS										
Education and general	$276,158,701	39,768,934	199,584,589	--	--	--	--	--	**515,512,224**	577,999,699
Auxiliary operating expenditures	--	85,685,689	6,218,642	--	--	--	--	--	**91,904,331**	83,426,026
Hospitals and clinics	--	--	--	--	--	--	--	--	**--**	--
Health care fiscal oversight	--	--	--	--	--	--	--	--	**--**	--
Loan cancellation and administrative collection costs	--	--	--	133,599	--	--	--	--	**133,599**	126,585
Expended for plant facilities	--	--	--	--	--	34,811,714	--	--	**34,811,714**	53,778,677
Retirement of indebtedness	--	--	--	--	--	--	12,737,861	--	**12,737,861**	11,518,854
Interest on indebtedness	--	--	--	--	--	--	3,851,023	--	**3,851,023**	5,242,117
Disposal of plant facilities	--	--	--	--	--	--	--	6,952,099	**6,952,099**	5,932,001
Indirect cost recovered	--	--	39,615,636	--	--	--	--	--	**39,615,636**	36,865,197
Capitalization of asset/debt	--	--		--	--	--	--	114,968	**114,968**	337,230
Other deductions	--	--		33,578	--	--	--	--	**33,578**	(2,576)
Total Expenditures/Other Deductions	$276,158,701	125,454,623	245,418,867	167,177	--	34,811,714	16,588,884	7,067,067	**705,667,033**	775,223,810

continued

University of Colorado - Boulder
STATEMENT OF CHANGES IN FUND BALANCES - continued

	CURRENT FUNDS					PLANT FUNDS			(Memorandum Only)	
	State Appro-priated Funding	Auxiliary & Self-funded Activities	Restricted Fund	Student Loan Funds	Endow-ment & Similar Funds	Unex-pended	Retire-ment of Indebt-edness	Invest-ment in Plant	Total 06/30/01	Total 06/30/00
TRANSFERS BETWEEN FUNDS (additions)/ deductions										
Mandatory transfers										
Principal and interest	$75,493	13,895,941	--	--	--	(95,354)	(13,876,080)	--	**--**	--
Renewal and replacement	--	--	--	--	--	--	--	--	**--**	--
Matching funds/other	--	--	8,482	(8,482)	--	--	--	--	**--**	--
Total mandatory transfers	75,493	13,895,941	8,482	(8,482)	--	(95,354)	(13,876,080)	--	**--**	--
Voluntary transfers										
Intercampus transfers	(1,569,684)	(1,457,484)	(35,694)	(14,589)	--	(2,961,390)	(3,212)	--	**(6,042,053)**	(4,990,236)
Other	21,493,695	9,826,068	80,700	(15,954)	--	(31,734,747)	350,237	--	**(1)**	--
Total voluntary transfers	19,924,011	8,368,584	45,006	(30,543)	--	(34,696,137)	347,025	--	**(6,042,054)**	(4,990,236)
Total expenditures, other deductions, and transfers	296,158,205	147,719,148	245,472,355	128,152	--	20,223	3,059,829	7,067,067	**699,624,979**	770,233,574
Net increase (decrease) in fund balance	2,153,281	98,581	4,276,939	432,043	--	25,991,789	(2,314,831)	50,793,397	**81,431,199**	56,896,363
Fund balances - beginning of year	(9,910,219)	8,165,990	13,007,083	17,679,872	--	108,032,080	6,965,377	700,609,412	**844,549,595**	787,653,078
Fund balances - end of year	$(7,756,938)	8,264,571	17,284,022	18,111,915	--	134,023,869	4,650,546	751,402,809	**925,980,794**	844,549,441

The accompanying summary of accounting policies and notes are an integral part of the statement. Contact the Office of Accounting and Business Support.

University of Colorado - Boulder

STATEMENT OF CURRENT FUND EXPENDITURES

For the period ended 06/30/2001

	UNRESTRICTED				
	State Appropriated Funding	Auxiliary & Self-funded Activities	Restricted Fund	**Total 06/30/01**	Total 06/30/00
EXPENDITURES					
Education & General					
Instruction	$145,913,978	11,624,846	17,383,221	**174,922,045**	167,772,852
Research	12,352,360	1,886,872	154,513,583	**168,752,815**	171,394,078
Public Service	571,757	3,112,625	1,272,206	**4,956,588**	5,559,022
Academic Support	44,862,140	311,154	3,797,241	**48,970,535**	46,242,751
Student Services	15,016,587	18,081,580	1,586,000	**34,684,167**	32,649,516
Institutional Support	21,881,795	(350,029)	752,809	**22,284,575**	24,760,032
Operation of Plant	27,431,255	19,830	36,494	**27,487,579**	24,707,537
Scholarships & Fellowships	8,128,829	5,082,057	20,243,037	**33,453,923**	104,913,911
Auxiliary Operating Revenues	--	85,685,689	6,218,642	**91,904,331**	83,426,026
Hospitals & Clinics	--	--	--	**--**	--
Total Expenditures	**$276,158,701**	**$125,454,624**	**$205,803,233**	**$607,416,558**	**$661,425,725**

The accompanying summary of accounting policies and notes are an integral part of the statement.
Contact the Office of Accounting and Business Support.

Endnotes

[i] Industry Audit Guide, Audits of Colleges and Universities with Conforming Changes as of May 1, 1992, AICPA, page 5.
[ii] Industry Audit Guide, Audits of Colleges and Universities with Conforming Changes as of May 1, 1992, AICPA, page 5.
[iii] Industry Audit Guide, Audits of Colleges and Universities with Conforming Changes as of May 1, 1992, AICPA, page 5.
[iv] Financial Accounting and Reporting by Colleges and Universities, Statement of Position 74-8, August 31, 1974, AICPA, page 51.
[v] Industry Audit Guide, Audits of Colleges and Universities with Conforming Changes as of May 1, 1992, AICPA, page 5.
[vi] Industry Audit Guide, Audits of Colleges and Universities with Conforming Changes as of May 1, 1992, AICPA, page 37.
[vii] Industry Audit Guide, Audits of Colleges and Universities with Conforming Changes as of May 1, 1992, AICPA, page 31
[viii] Industry Audit Guide, Audits of Colleges and Universities with Conforming Changes as of May 1, 1992, AICPA, page 21.
[ix] Financial Accounting and Reporting by Colleges and Universities, Statement of Position 74-8, August 31, 1974, AICPA, page 51.
[x] Financial Accounting and Reporting by Colleges and Universities, Statement of Position 74-8, August 31, 1974, AICPA, page 53.
[xi] Financial Accounting and Reporting by Colleges and Universities, Statement of Position 74-8, August 31, 1974, AICPA, page 59.
[xii] Financial Accounting and Reporting by Colleges and Universities, Statement of Position 74-8, August 31, 1974, AICPA, page 60.
[xiii] Financial Accounting and Reporting by Colleges and Universities, Statement of Position 74-8, August 31, 1974, AICPA, page 57.
[xiv] Financial Accounting and Reporting by Colleges and Universities, Statement of Position 74-8, August 31, 1974, AICPA, page 57.
[xv] Financial Accounting and Reporting by Colleges and Universities, Statement of Position 74-8, August 31, 1974, AICPA, page 57.
[xvi] Merriam Webster's Online Dictionary. Merriam-Webster Inc., Springfield, MA. 2008.
[xvii] Financial Accounting and Reporting by Colleges and Universities, Statement of Position 74-8, August 31, 1974, AICPA, page 53.
[xviii] Financial Accounting and Reporting by Colleges and Universities, Statement of Position 74-8, August 31, 1974, AICPA, page 53.
[xix] Industry Audit Guide, Audits of Colleges and Universities with Conforming Changes as of May 1, 1992, AICPA, page 5.
[xx] Original Pronouncements Governmental Accounting Finance Reporting Standards as of June 30, 2000, Accounting and Financial Reporting for Non-Exchange Transactions. GASB, Norwalk, CT. 2000. page 1011.
[xxi] Original Pronouncements Governmental Accounting Finance Reporting Standards as of June 30, 2000,
62 Accounting and Financial Reporting for Non-Exchange Transactions. GASB, Norwalk, CT. 2000. page 1011.
[xxii] Original Pronouncements Governmental Accounting Finance Reporting Standards as of June 30, 2000, Accounting and Financial Reporting for Non-Exchange Transactions. GASB, Norwalk, CT. 2000. page 1012
[xxiii] Original Pronouncements Governmental Accounting Finance Reporting Standards as of June 30, 2000, Accounting and Financial Reporting for Non-Exchange Transactions. GASB, Norwalk, CT. 2000. page 1015.
[xxiv] Original Pronouncements Governmental Accounting Finance Reporting Standards as of June 30, 2000, Accounting and Financial Reporting for Non-Exchange Transactions. GASB, Norwalk, CT. 2000. page 1013.