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STATE OF COLORADO  
HIGHER EDUCATION  
ACCOUNTING STANDARDS

Issued by State Controller's Office

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Standard # 17

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Approved by: Arthur J. Bamhart Date 6/10/03

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TITLE: FINANCIAL STATEMENT PRESENTATION

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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### STATEMENT OF NET ASSETS

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

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

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

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

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

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

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

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

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

### STATEMENT OF CASH FLOWS

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

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

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

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

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

SPECIFIC REPORTING GUIDELINES

STATEMENT OF NET ASSETS

- A. Cash and Cash Equivalents – See Standard No. 7.
- B. Short-Term and Long-Term Investments – See Standard No. 7.
- C. Restricted Cash and Cash Equivalents – See Standard No. 7.
- D. Restricted Investments – See Standard No. 7.
- E. Capital Assets. Capitalization criteria and depreciation methodology are outlined in Standard No. 5. Capital assets, subject to depreciation, should be reported separately from capital assets that are not subject to depreciation.
- F. Compensated Absences. See Standard No. 18.

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

- A. Operating Revenues. See the discussion above on "Operating revenues and expenses".
- B. Scholarship Allowances. See Standard No. 8. Revenues subject to scholarship allowances should be reported net of scholarship allowances. The amount of the scholarship allowance should be reported parenthetically with the associated revenue on the face of the SRECNA.
- C. Tuition and Fees. See Standard No. 2.
- D. Operating Expenses. Operating expenses should be reported by function.
- E. Scholarships and Fellowships. See Standard No. 8.
- F. Depreciation Expense. Depreciation expense should be reported on a separate line within operating expenses.
- G. State Appropriations. See Standard No. 9.
- H. Non-operating Revenues/Expenses. See the guidelines above.
- I. Other Revenues, Expenses, Gains, or Losses. See the guidelines above.

STATEMENT OF CASH FLOWS

- A. Cash and Cash Equivalents. Cash and cash equivalents reported on the Statement of Cash Flows should include both unrestricted and restricted cash and cash equivalents.
- B. Sales of Product. This line item includes all cash receipts from activities or entities that carry an inventory with the exception of cash receipts from meal plans. Cash receipts from meal plans should be classified as Sales of Service.
- C. Student Loans Disbursed and Collected. It is not necessary to report the cash flows from short-term loans separately from the cash flows associated with long-term loans. Short-term and long-term loan cash flow activity may be combined, at the discretion of the college or university.

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- D. Payments to or for Employees. This line item includes payments to or for employees for salaries and benefits; such as health and life insurance and retirement plan contributions. This excludes payments for worker's compensation and unemployment insurance.
- E. Grants and Contracts. Grants and contracts that are for specific activities that are considered to be operating activities of the college or university and are not specifically restricted for capital acquisitions should be reported as Cash Flows from Operations. Grants or contracts that are specifically restricted for capital acquisitions should be reported as Cash Flows from Capital and Related Financing.
- F. Gifts. Gifts that are specifically restricted for endowments should be reported as Cash Flows from Non-Capital Financing Activities. Gifts that are specifically restricted for capital acquisitions should be reported as Cash Flows from Capital and Related Financing. Gifts that are not specifically restricted may be reported either as Cash Flows from Operations or Cash Flows from Non-Capital Financing Activities as appropriate.

NOTES TO FINANCIAL STATEMENTS

All required disclosures must be included in the Notes to the Financial Statements. The following specific disclosure must be included as part of the "Summary of Significant Accounting Policies."

The *Colorado College or University*\* is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the *Colorado College or University*\* is included as part of the State of Colorado's primary government. (\* replaced with actual name of higher education institution)

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EXAMPLE  
STATEMENT OF NET ASSETS

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

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

Total Assets

**Current Liabilities**

Amounts due and payable within one year or deferred revenue to be earned within one year.

Accounts Payable Due within one year  
Accrued Liabilities Due within one year  
Deferred Revenue To be earned within one year  
Deposits Held for Others Expected to refund or be used within one year  
Bonds Payable, Current Portion Due within one year  
Capital Leases Payable, Current Portion Due within one year  
Other L/T Liabilities, Current Portion Due within one year  
Compensated Absence Liabilities Expected to be paid within one year (Q&A #83)  
Total Current Liabilities

**Non-current Liabilities**

Amounts due and payable after one year or deferred revenue to be earned after one year.

Deferred Revenue To be earned after one year  
Bonds Payable Due after one year  
Capital Leases Payable Due after one year  
Other L/T Liabilities Due after one year  
Compensated Absence Liabilities Expected to be paid after one year  
Total Non-current Liabilities

Total Liabilities

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**Net Assets**

See "Specific Reporting Guidelines" for the Statement of Net

Invested in Cap Assets, Net of Related Debt Assets, Item G. above.

Restricted for Nonexpendable Purposes:

(Separate by Major Categories)

Restricted for Expendable Purposes:

(Separate by Major Categories)

Unrestricted

Total Net Assets

**NOTES:**

- 1.) The authority for these classifications and general definitions is from AICPA Accounting Research Bulletin (ARB) 43, Chapter 3A, FASB Statement 78, GASB Statement 34 paragraphs 97-99, GASB Statement 35 Appendix D, and GASB Statement 34 Implementation Guide - Questions & Answers (Q&A #32 - #35, #81 - #102, and #207 - #209.)
- 2.) Institutional monies on deposit with the Colorado State Treasury will be reported as a current asset in "Cash and Cash Equivalents." This is consistent with financial statement reporting prior to GASB 34/35.
- 3.) Student Accounts Receivable and Other Accounts Receivable categories may be presented separately or combined as Accounts Receivable.
- 4.) Student Loans Receivable and Notes Receivable categories may be presented separately or combined as Loans and Notes Receivable.
- 5.) Depreciable capital assets must be presented separately from non-depreciable capital assets (GASB 34 Implementation Guide, Q&A 34) but, the level of detail presented is optional.

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

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

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**Nonoperating Revenues (Expenses)**

State Appropriations

Excludes revenues from CCHE for State Student Aid

Gifts

Investment Income (net of investment expense of \$ )

Interest Expense on Capital Debt

Gain or Loss on Disposal of Assets

Other Non-operating Revenues

Net Non-operating Revenues

Income before other revenues, expenses, or transfers

**Other Revenues, Expenses, or Transfers**

State Capital Contributions

Capital Grants

Capital Gifts

Additions to Permanent Endowments

Transfer (To)/From Governing Boards or Other Institutions

Increase (Decrease) in Net Assets

**NET ASSETS**

Net Assets - Beginning of Year, as Originally Reported

Cumulative Effect of Change in Accounting Principle

Net Assets - Beginning of Year, Restated

Net Assets - End of Year

NOTES:

- 1.) Interest on Loans Receivable is included in "Other Operating Revenue." (Making loans to students is an operating activity.)
- 2.) Loan cancellations, administrative and collection costs are included in "Operating Expenses - Institutional Support."
- 3.) The noncapitalized portion of amounts expended for plant facilities shall be included in the appropriate operating expense category.
- 4.) Disclosure must be presented on any revenue line that includes revenues used as security for revenue bonds. The amount used as security, or pledged, must be disclosed.
- 5.) The AICPA Industry Audit Guide for College and Universities and the NACUBO Financial Accounting and Reporting Manual (FARM) will continue to provide the guidance for defining the revenue and functional expense categories included in the SRECNA.

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

Cash Flows from Operating Activities

Cash Received:

Tuition and Fees  
Student Loans Collected  
Sales of Product  
Sales of Service  
Grants, Contracts and Gifts  
Other Operating Receipts

Cash Payments:

Scholarships Disbursed  
Student Loans Disbursed  
Payments to or for Employees  
Payments to Suppliers  
Other Operating Payments

Net cash provided (used) by operating activities

**Cash Flows from Non-Capital Financing Activities**

State Appropriations – Non-capital  
Gifts/Grants for Other than Capital Purposes  
Agency (Direct Lending inflows)  
Agency (Direct Lending outflows)  
Other Agency (inflows)  
Other Agency (outflows)  
Transfers (to)/from other campuses, board, or institution

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

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**Cash Flows from Capital and Related Financing Activities**

State Appropriations – Capital

Capital Grants, Contracts and Gifts

Proceeds from Capital Debt

Proceeds from Sale of Capital Assets

Acquisition and Construction of Capital Assets

Principal Paid on Capital Debt

Interest on Capital Debt

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

**Cash Flows from Investing Activities:**

Proceeds from sale & maturities of investments

Investment earnings (interest, dividends)

Purchase of Investments

Net cash provided (used) by investing activities

Net Increase (Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents at the Beginning of the Year

Cash and Cash Equivalents at the End of the Year

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**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

**Operating Income (loss)**  
**(See Notes Below).**

Operating Income (Loss)

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

Depreciation

Provision for uncollectible accounts

Changes in assets and liabilities

Other reconciling items.

**Net Cash Provided by Operating Activities**

**Noncash Investing, Capital, and Financing Activities.**

A description of any significant noncash transactions would appear here.

**Notes:**

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