STATE OF COLORADO	Issued by the State Controller's Office	Standard # 4
	Original Issue 05/09/00	
HIGHER EDUCATION	Last Revised	
ACCOUNTING STANDARDS	Revision Effective 07/01/99	
	Approved: Arthur L. Bernhardt Date: 5/9/00	

TITLE: NONEXCHANGE TRANSACTIONS

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

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

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

   - No current applicability to higher education.

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

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

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

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

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

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

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

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

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