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INTRODUCTION

Tax Payer's Bill of Rights (TABOR)

Article X, Section 20, the Taxpayer's Bill of Rights (TABOR), was added to the Colorado Constitution as a result of the passage of Amendment 1 in the November, 1992 general election. One of the things TABOR does is limit increases in the state's revenue to the annual inflation rate plus the percentage change in state population, exempting certain revenues such as federal funds, property sales, donations, and enterprise activities.

Prior to the passage of the TABOR Amendment, statute required appropriation of General Fund and unrestricted operating cash to the Higher Education Governing Boards in a single line item. The General Fund portion of this appropriation was fixed in each year's Long Bill and could only be changed by supplemental statute. The Cash Funds portion of this appropriation was identified by footnote to be made up of "...tuition, indirect cost recoveries, and other sources that have been traditionally appropriated as cash funds to Institutions of Higher Education." The amount of Cash Funds which appeared in the Long Bill was not controlling; should an institution generate more cash funds than this amount, their spending authority could be increased upon action by the Governing Board.

With passage of the TABOR Amendment, this changed. The state's expenditures are capped at an annual fiscal spending limit which is based upon the revenue generation defined in the Article; specifically, all revenues are within the controlled spending limit unless specifically exempted in the constitution or subsequent legislation or voter referendum. Higher Education's General Fund and tuition revenues were not specifically exempted and therefore controlled by the legislature via the Long Bill. The advisory nature of the Cash Funds amount in that statute was gone; it was an absolute ceiling on earnings and expenditures which could be changed only by supplemental statute. Further, a distinction was made between tuition revenue and non-tuition revenue. The Cash Fund amount appropriated on the General Fund and Tuition Revenue line item in the Long Bill could come from tuition only.

Those unrestricted and restricted current and non-current revenues generated by sources other than tuition which were not exempted from the state's annual fiscal spending limit were appropriated in a separate Long Bill line item called "Other Than Tuition Revenue." These included such things as incidental income generated from educational activities, instructional fees, conference fees, interest income on funds not exempted from the spending limit, gain or loss on investments of funds not exempted from the spending limit, rents, local grants and contracts, nonexempt transfers-in, and miscellaneous income. Again, the amount appropriated on this line was an absolute ceiling on expenditures; it could be changed only by supplemental statute.

Prior to passage of the TABOR Amendment, the auxiliary and self/funded portion of Higher Education's activity was not appropriated by the legislature. However, the constitution allows exemptions from the state's fiscal spending limitation only if the revenues are generated by an "enterprise", constitutionally defined as a facility or activity that has authority to generate revenue bonds and gets not more than 10% of its revenues from state grants.

CRS 23-5-101.5 (HB93-1355) establishes a process by which Governing Boards may certify their auxiliary and self/funded facilities and activities as "enterprises" followed by an audit review and subsequent legislation. All auxiliary and self/funded revenues were considered within the fiscal spending

INTRODUCTION (continued)

limit, i.e. nonexempt, in FY94 until certified as an enterprise by the ruling Governing Board. At that point they became exempt for FY94. Those passed by the audit review and exempted by statute in the FY94 General Session, remain exempt for future years; those not remained nonexempt in FY95 and eligible for the process again. This process may be repeated as auxiliary activity becomes eligible for exemption and/or as new auxiliaries are created by the institutions of Higher Education.

Auxiliary activities not designated as enterprises per this statutory process are nonexempt activities appropriated were in a separate Long Bill line item titled "Auxiliary Enterprises".

Subsequent legislation, 23-1-104, again changed the nature of the Long Bill appropriation by stating that the separate Long Bill lines could be combined for spending authority purposes thus eliminating the need to distinguish them on the state's accounting system. Therefore, effective July 1, 1996, the appropriated Long Bill line items "Other Than Tuition Revenue" and "Auxiliary Enterprises" were combined with the "General Fund and Tuition" line item; they were collectively identified on COFRS by the Appropriation Code "LBA".

College Opportunity Fund Act (COF)

In 2004 the General Assembly enacted SB04-189 creating the College Opportunity Fund Act (CRS 23-18-101) fundamentally changing the way Higher Education is funded in Colorado. The most significant changes include:

- Creating the College Opportunity Trust Fund consisting of a stipend for each eligible undergraduate student (CRS 23-18-201);
- Require a performance contract between each State Higher Education Governing Board and the Colorado Commission of Higher Education (CRS 23-5-129);
- Allowing Higher Education Governing Boards to enter into Fee for Service Contracts with the Department of Higher Education (CRS 23-5-130); and
- Allowing for an institution of Higher Education or a Group of Institutions of Higher Education that is managed by a single Governing Board to be designated as an enterprise under Section 20, Article X of the State Constitution if they a) are a government owned business and b) retain the authority to issue revenue bonds and c) if they receive less than ten percent of their total annual revenue in grants from all Colorado State and Local Governments combined (CRS 23-5-101.7).

Rather than providing a direct General Fund Appropriation to each institution, the General Assembly appropriates funds to the College Opportunity Trust Fund. Eligible undergraduate students receive stipends from the trust fund to pay for tuition at the school of their choice. In addition, the General Assembly appropriates funds to the Colorado Commission of Higher Education for the payment of services received by the Department of Higher Education from institutions via the fee-for-service contracts.

In August of 2005 the Legislative Audit Committee agreed that stipend revenues and the majority of fee for service revenues were not considered direct state support or state grants to the institutions. With these changes, the schools may not receive 10% or more of their total revenue from state or local government grants and may qualify as designated enterprises.

INTRODUCTION (continued)

If individual schools receive more than 10% of their total revenue from State or Local Grants, those schools would be required to report under the Nonexempt Guidelines. Those entities qualifying as exempt enterprises are required to report under the Exempt Guidelines.

The enterprise designations released Higher Education Institutions from spending limits imposed by TABOR. However, the legislature continues to control total revenue for tuition, student academic and facility fees and fee for service revenue combined. A lump sum is appropriated for Cash Exempt revenue on the Long Bill. Letter-notes detail the sources of revenue for informational purposes only and are not controlling. "Other than Tuition Revenue" and "Auxiliary Enterprises" are no longer appropriated.

NONEXEMPT GUIDELINES

These TABOR Guidelines are issued by the Higher Education Governing Boards' Financial Advisory Committee to implement changes in accounting within the higher education discrete funds on the state's accounting system resulting from passage of the TABOR Amendment.

A.1 FINANCIAL STATEMENTS

Passage of the TABOR Amendment drastically impacted the way in which the State, and Higher Education, must budget and record its activities. Significant changes occurred in the accounting treatment and reporting of revenues and expenditures on the State's accounting system (COFRS). These Guidelines address those changes and ongoing reporting requirements.

To accommodate implementation of GASB Statement Numbers 34 and 35 for Fiscal Year 2001-02, significant changes were made to GAAP reporting for the institutions and the state. Many of these changes required adjustments to the higher education fund structure, accounting policies and procedures, and reporting by the institutions to the state's accounting system.

It must be further understood that the following discussion concerns only accounting on COFRS. While institutions may choose to structure their internal systems similarly to what is prescribed here, to do so is not mandatory.

B.1 NONEXEMPT/APPROPRIATED SPENDING AUTHORITY, Page One

With the passage of SB04-189, it is anticipated that all schools will become exempt enterprises eliminating nonexempt appropriated spending authority and changing the format for the Long Bill significantly. In the event that one or more schools do not meet the eligibility requirements for enterprise status, it is assumed that the Long Bill format will revert back to this model and include changes due to the elimination of General Fund support and the addition of fee for service activity. If and how the specific line items will be stated on the Long Bill is unknown and this information should be used only as a guide.

B.1.a Tuition Revenue

Higher Education's tuition revenues are not specifically exempted from the TABOR spending fiscal limit and therefore are controlled by the legislature via the Long Bill. Also, a distinction is made between tuition revenue and non-tuition revenue. The Cash Fund amount appropriated on the "Tuition Revenue" line item in the Long Bill may come from tuition only.

The appropriated Long Bill line item "Tuition Revenue" will be identified on the state's accounting system, COFRS, by the Appropriation Code "LBA." Section C.1, Higher Education Discreet Fund Structure, indicates in which Higher Education discreet fund(s) this Appropriation Code may be used. Revenues will be coded directly to this Appropriation Code. For information on recording expenditures see section E.1.

B.1.b Other Than Tuition Revenue

Those unrestricted and restricted current and noncurrent revenues generated by sources other than tuition which are not exempted from the state's annual fiscal spending limit are appropriated in a separate Long Bill line item called "Other Than Tuition Revenue." Grants and contracts from other states that are not pass-through grants funded by exempt federal or private dollars, are included in this nonexempt revenue category. Again, the amount appropriated on this line is an absolute ceiling on expenditures; it may be changed only by supplemental statute.

Per CRS 23-1-104, it is not necessary to distinguish on the state's accounting system, COFRS, between the appropriated Long Bill line items. Therefore, the appropriated Long Bill line item "Other Than Tuition Revenue" will also be identified on COFRS by the Appropriation Code "LBA". Section C.1, Higher Education Discreet Fund Structure, indicates in which Higher Education discreet fund(s) this Appropriation Code may be used. Revenues will be coded directly to this Appropriation Code. For information on recording expenditures see section E.1.

While Fund Balances are considered exempt when expended and TABOR-neutral until that point, those fund balances represent historical exempt and nonexempt revenues over expenditures. To the extent that a fund balance is made up of funds generated by nonexempt activity, the interest earned on that portion of the fund balance, if any, is nonexempt interest revenue. Similarly, to the extent that a fund balance is made up of funds generated by exempt activity, the interest earned on that portion of the fund balance is exempt interest revenue. Therefore, it is necessary to, in effect, conceptually subdivide fund balance by the nonexempt/exempt sources of revenue and separately identify nonexempt/exempt interest earnings. The nonexempt interest earned must be recorded on COFRS in the appropriate nonexempt fund against the LBA Appropriation Code.

The identification of historical fund balances as nonexempt or exempt when TABOR accounting and reporting requirements were first implemented is discussed in Section B.3.g Fund Balances. The generation of nonexempt and exempt interest earnings relative to Plant Fund fund balances is specifically discussed in Section B.3.h Use of Plant Funds.

B.1 NONEXEMPT/APPROPRIATED SPENDING AUTHORITY, Page Two

B.1.c Auxiliary & Self/Funded Activities

The constitution allows exemptions from the state's fiscal spending limitation only if the revenues are generated by an "enterprise", constitutionally defined as a facility or activity that has authority to generate revenue bonds and gets not more than 10% of its revenues from state grants. CRS 23-5-101.5 (HB93-1355) establishes a process by which Governing Boards may certify their auxiliary and self/funded facilities and activities as "enterprises" followed by an audit review and subsequent legislation.

Auxiliary and self/funded facilities and activities which have not successfully completed this process are nonexempt and included in the fiscal spending limit and must have spending authority appropriated on the Long Bill. An "Auxiliary Enterprises" line item was introduced in the FY94 Long Bill. However, per CRS 23-1-104, it is not necessary to distinguish on the state's accounting system, COFRS, between the appropriated Long Bill line items. Therefore, the appropriated Long Bill line item Auxiliary Enterprises will also be identified on COFRS by the Appropriation Code "LBA". Section C.1, Higher Education Discreet Fund Structure, indicates in which Higher Education discreet fund(s) this Appropriation Code may be used. Revenues and expenditures will be coded directly to this Appropriation Code.

Exempt/non-appropriated auxiliary and self/funded enterprises are addressed in Section B.3.b.

B.1.d. Scholarship Allowances – Nonexempt Revenues

GASB Statement Nos. 34 and 35 require that revenue be reported net of discounts or allowances. Tuition and fee revenue are presented on the financial statements net of a scholarship allowance amount recorded at year-end. Potentially, an allowance could also be applied to Other Than Tuition and Nonexempt Auxiliary revenue.

Nonexempt Tuition, Other Than Tuition, and Nonexempt Auxiliary revenue will be recorded in an appropriated Higher Education nonexempt discrete fund at the gross amount throughout the year. The scholarship allowance is recorded quarterly in the operating fund where the revenue against which the allowance is being applied is recorded. Specific COFRS Revenue Source codes exist to distinguish the scholarship allowance as contra-revenue to exempt or nonexempt tuition and exempt or nonexempt auxiliaries and self-funded revenue. Refer to COFRS Accounting Model QTR1 for guidance on making the quarterly scholarship allowance entry on COFRS.

B.2 EXEMPT/APPROPRIATED SPENDING AUTHORITY, Page One

B.2.a Fee for Service Revenue

The College Opportunity Fund Act (SB04-189) created the use of fee for service contracts between the Department of Higher Education and individual institutions. The Act states that “each contract may contain, but is not limited to one or more of the following components:

1. Educational Services in Rural areas;
2. Basic Skill courses;
3. Educational Services associated with the “Postsecondary Enrollment Act”;
4. Educational Services associated with the High Schools Fast Track Program;
5. Educational Services required of the commission to meet its obligation under reciprocal agreements pursuant to section 23-1-12;
6. Graduate School Services;
7. Educational Services that may increase economic development opportunities in the state, including courses to assist students in career development and retraining; and
8. Specialized educational services and professional degrees, including but not limited to the areas of dentistry, medicine, veterinary medicine, nursing, law, forestry and engineering.”

Because the payment is from the Department of Higher Education which is another state agency, fee for service revenue is exempt. Normally, exempt revenue is not controlled by the General Assembly and is not included in the Long Bill. However, it is anticipated that fee for service revenue will be appropriated whether or not they are enterprises and identified on COFRS as Cash Exempt Revenues.

In order to track fee for service revenue separately for reporting purposes, it should be recorded in Revenue Source Code 4407 (Serv Charges from DOHE Exempt) and reported in fund 311 as current unrestricted exempt revenue. Revenue from Economic Development activities is considered non-operating revenue and should be recorded in Revenue Source Code 7607.

B.3 EXEMPT/NONAPPROPRIATED SPENDING AUTHORITY, Page One

B.3.a Cash Revenues

Prior to passage of the TABOR Amendment, the only Higher Education funding appropriated by the legislature was the current unrestricted revenues discussed in Section B.1.; all other spending authority was non-appropriated. While this has changed to the extent that more of Higher Education's revenues are now appropriated, i.e. nonexempt auxiliary and self/funded, a significant portion of its revenues are specifically exempted from the state's fiscal spending limit and therefore remain non-appropriated. These include all federal grants and contracts; all private gifts, grants, and contracts; all state grants and contracts; the majority of transfers-in (see Section B.3.e); indirect cost recoveries from federal, state, and private sources; interest earned on exempt funds; and, as discussed previously, revenues from exempt auxiliary and self/funded facilities and activities.

Nonappropriated activity will continue to be identified on COFRS by the Appropriation Code "NAP." Section C.1, Higher Education Discreet Fund Structure, indicates in which Higher Education discreet fund(s) this Appropriation Code may be used. Revenues and expenditures will be coded directly to this Appropriation Code.

B.3.b Auxiliary Enterprises

Prior to passage of the TABOR Amendment, the auxiliary and self/funded portion of Higher Education's activity was not appropriated by the legislature. However, the constitution now allows exemptions from the state's fiscal spending limitation only if the revenues are generated by an "enterprise", constitutionally defined as a government owned business that has authority to generate revenue bonds and gets not more than 10% of its revenues from state grants. CRS 23-5-101.5 (HB93-1355) defines "grant" as follows:

23-5-101.5(2)(b)(I) "Grant" means any direct cash subsidy or other direct contribution of money from the state or any local government in Colorado which is not required to be repaid.

(II) Grant does not include:

(A) Any indirect benefit conferred upon an auxiliary facility or group of auxiliary facilities or an institution or group of institutions from the state or any local government in Colorado, including any interest in or use of existing facilities owned, funded, or financed by the governing board of an institution, the state, or any local government in Colorado;

(B) Any revenues resulting from market exchanges such as rates, fees, assessments, tuition, or other charges imposed by an auxiliary facility, or group of auxiliary facilities or by an institution or group of institutions for the provision of goods or services by such auxiliary facility, group of auxiliary facilities, institution or group of institutions, including services to the state or local government in Colorado and fees paid to the auxiliary facility or group of auxiliary facilities for internal services provided to the institution of higher education with which the auxiliary facility is associated;

(C) Any federal funds, regardless of whether such federal funds pass through the state or any local government in Colorado prior to receipt by an auxiliary facility, group of auxiliary facilities, institution, or group of institutions;

(D) Fees received by an institution pursuant to a fee-for-service contract between the department of higher education and the institution or the institution's governing board;

B.3 EXEMPT/NONAPPROPRIATED SPENDING AUTHORITY, Page Two

B.3.b Auxiliary Enterprises (continued)

(E) Revenues received by an institution or group of institutions that have been paid on behalf of an eligible undergraduate student from the College Opportunity Fund.

Additionally, 23-5-101.5 (HB93-1355) establishes a process by which Governing Boards may certify their auxiliary and self/funded facilities and activities as "enterprises" followed by an audit review and subsequent legislation. All auxiliary and self/funded revenues are considered within the fiscal spending limit, i.e. nonexempt, until certified as an enterprise by the ruling Governing Board. At that point they become exempt. If passed by the audit review and exempted by statute, they remain exempt for future years; if not, they remain nonexempt and eligible for the process again.

Exempt auxiliary and self/funded facilities and activities will be identified on the state's accounting system, COFRS, by the Appropriation Code "NAP", along with all other non-appropriated spending authority. Per Section C.1, Higher Education Discrete Fund Structure, this activity will be recorded in Fund 320 unless an institution chooses to break out specific activity into the optional-use Funds 321 through 326. Revenues and expenditures will be coded directly to this Appropriation Code in these funds.

Nonexempt/appropriated auxiliary and self/funded activity is addressed in Section B.1.c.

B.3.c Undesignated Activity

Designated enterprise activity is reported in funds 320-326 and 328. Undesignated auxiliary and non-exempt self-funded activities are reported in fund 329.

Because of decisions made relative to implementation of GASB Statement Nos. 34 and 35, it became necessary to limit use of Fund 328 to Internal Service Activity. Therefore, beginning in FY02, undesignated exempt auxiliary/self-funded activity will be recorded in Fund 326 and designated exempt auxiliary/self-funded activity will be recorded in Funds 320-325. Changes made to recording internal service activity are addressed in Section B.3.i.

B.3.d Scholarship Allowances – Exempt Revenues

GASB Statement Nos. 34 and 35 require that revenue be reported net of discounts or allowances. Tuition and fee and auxiliary revenue will be presented on the financial statements net of a scholarship allowance amount. Potentially, an allowance could also be applied to other types of revenue though this occurrence is uncommon.

Exempt tuition and exempt Auxiliary revenue will be recorded in a non-appropriated Higher Education exempt discrete fund at the gross amount throughout the year. The scholarship allowance will be recorded quarterly in the operating fund where the revenue against which the allowance is being applied is recorded. Specific COFRS Revenue Source codes exist to distinguish the scholarship allowance as contra-revenue to exempt or nonexempt tuition and exempt or nonexempt auxiliaries and self-funded revenue. Refer to COFRS Accounting Model QTR1 for guidance on making the quarterly scholarship allowance entry on COFRS.

B.3 EXEMPT/NONAPPROPRIATED SPENDING AUTHORITY, Page Three

B.3.e Transfers

Given the volume of transfer activity within the Higher Education discrete funds, this type of revenue was specifically reviewed by both the Financial Advisory Committee and the state central agencies. Transfers-in are considered exempt revenue for TABOR Amendment purposes with one exception applicable when an auxiliary/self-funded facility or activity is involved. The following rules apply:

- Rule 1 Transferring dollars from a TABOR exempt activity to another TABOR exempt activity generates exempt transfer revenue. Reference COFRS Transfer Rule 1 Accounting Model A for specific entries.
- Rule 2 Transferring dollars from a TABOR nonexempt activity to another TABOR nonexempt activity generates TABOR exempt transfer revenue. Reference COFRS Transfer Rule 2 Accounting Model B for specific entries.
- Rule 3 Transferring dollars from a TABOR nonexempt activity to a TABOR exempt activity generates TABOR exempt transfer revenue. Reference COFRS Transfer Rule 3 Accounting Model C for specific entries.
- Rule 4 Transferring dollars from a non-enterprise TABOR exempt activity to a TABOR nonexempt activity generates TABOR exempt transfer revenue. Reference COFRS Transfer Rule 4 Accounting Model D for specific entries.
- Rule 5 Transferring dollars from a TABOR designated enterprise activity to a TABOR nonexempt activity generates TABOR nonexempt transfer revenue. Reference COFRS Transfer Rule 5 Accounting Model E for specific entries.

The purpose of this exception to the rule and the primary example of why it exists is that an institution may not fund a plant project for a nonexempt auxiliary, e.g. building a football stadium for a nonexempt athletic department, with revenues from an exempt auxiliary, e.g. residence halls.

B.3.f Facilities & Administrative (F & A) Cost Recoveries

Facilities & Administrative (F & A) cost recoveries received from federal sources are exempt revenue. They may be receipted in either of the following ways:

- into the Current Restricted Exempt Fund 330 using Revenue Source Code 7400, Federal Grant/Contract, Federal Direct - Operating or 7430 Federal Grant/Contract - Federal Direct - Capital
then transferred to the Current Unrestricted Exempt Fund per COFRS Indirect Cost Transfer Accounting Model G.
- into the Current Unrestricted Exempt Fund 311 using Revenue Source Code 7902, Fed Govt/Nongrant/Other.

B.3 EXEMPT/NONAPPROPRIATED SPENDING AUTHORITY, Page Four

B.3.f Facilities & Administrative (F & A) Cost Recoveries (continued):

Facilities & Administrative (F & A) cost recoveries received from private sources are exempt revenue. They may be receipted in either of the following ways:

- into the Current Restricted Exempt Fund 330 using Revenue Source Code 6600, Donations - Private - Restricted
then transferred to the Current Unrestricted Exempt Fund 311 per COFRS Indirect Cost Transfer Accounting Model G.
- into the Current Unrestricted Exempt Fund 311 using Revenue Source Code 6601 - Donations - Private - Unrestricted.

Facilities & Administrative (F & A) cost recoveries received from state sources are exempt revenue when originally receipted. They may be receipted in either of the following ways:

- into the Current Restricted Exempt Fund 330 using Revenue Source Code 7600 State Govt Grant/Contract - Operating or 7630 State Grant/Contract – Capital
then transferred to the Current Unrestricted Exempt Fund 311 per COFRS Indirect Cost Transfer Accounting Model G.
- into the Current Unrestricted Exempt Fund 311 using Revenue Source Code 7600 State GovtGrant/Contract - Other.

Facilities & Administrative (F & A) cost recoveries received from local sources are non-exempt revenue when originally receipted. They may be receipted in either of the following ways:

- into the Current Restricted Nonexempt Fund 331 using Revenue Source Code 7700, Local Grant/ Contact - Operating or 7730 Local Grant/Contract – Capital.
then transferred to the Current Unrestricted Exempt Fund 311 per COFRS Indirect Cost Transfer Accounting Model G.
- into the Current Unrestricted Nonexempt Fund 310 using Revenue Source Code 8200, Other Intergovernmental Revenue.

GASB Statement Nos. 34 and 35 require that Facilities and Administrative (F & A) cost recoveries be eliminated for financial statement reporting purposes. These revenues should be recorded per above throughout the year. The required elimination will be accomplished using the Higher Education discrete Presentation Fund 399 at year-end.

B.3 EXEMPT/NONAPPROPRIATED SPENDING AUTHORITY, Page Five

B.3.g Fund Balances

The constitution as changed by the TABOR Amendment specifically exempts expenditures from "reserves", i.e. fund balances, from the fiscal spending limit. Therefore, while a fund balance may be generated from an excess of exempt or nonexempt revenues over expenditures, the fund balance itself is neutral and expenditures from it are exempt. During the first few years of TABOR reporting, this fact created an operational problem during a fiscal year in which fund balance was expended in a nonexempt fund. Since fund balance accounts were left in the nonexempt fund of each fund group when the corresponding exempt fund was created and because the nonexempt funds require real, as opposed to \$0, spending authority, at the point an institution/Board began spending from fund balance its expenditure entries into COFRS rejected for lack of available spending authority and expenditures in excess of revenues were flagged as abnormal activity. Institutions/Boards were required to redirect their expenditures to the exempt fund and to move a corresponding amount of Cash and Fund Balance from the nonexempt fund to the exempt fund in any fund group where this situation occurred.

It is necessary for institutions/Boards to redirect expenditures from the nonexempt to the exempt fund at any point during the fiscal year that expenditures exceed revenues in that nonexempt fund. Institutions/Boards may accomplish this by doing one of the following:

- i) At a point in time prior to recording expenditures in excess of revenues an institution/ Board may change the interface/crosswalk table to feed expenditures to the exempt fund in the same fund group. If the interface/crosswalk table is not changed the spending authority limit is hit, interfaced JV transactions will be rejected by the system. At that time, an institution/ Board must move those expenditures exceeding revenues in the nonexempt fund to the corresponding exempt fund, e.g. Fund 310 to Fund 311 or Fund 329 to Fund 326, by manually recoding the fed JV documents and adjusting the cash entries between the funds and the document clearing account. The interface/crosswalk table may then be changed before the next feed is sent.
- ii) At a point in time prior to recording expenditures in excess of revenues, an institution/Board may move expenditures equal to the estimated amount of expenditures from fund balance from the nonexempt to the exempt fund and not change the interface/crosswalk table. At fiscal year end, expenditures in the nonexempt fund must be made equal to that fund's revenues.

If an institution/Board collects nonexempt revenues in excess of expenditures, fund balance will be created in the nonexempt fund of the fund group. Before the first quarter close of the following fiscal year, the institution/Board must re-class the prior year's June 30 fund balance to the exempt fund in the fund group.

Since the reserves represented by the fund balance accounts are the cumulative net of historical activity, it was not possible to retroactively apply the nonexempt/exempt criteria of TABOR. However, it was necessary to facilitate identification of interest earned on the fund balances as either nonexempt or exempt revenue. Therefore, an agreement was reached about each fund balance based upon the preponderance of nonexempt/exempt activity in each of the Higher Education discrete funds. As result of this determination, the funds held in the following fund balance accounts at July 1, 1993 were labeled as follows:

B.3 EXEMPT/NONAPPROPRIATED SPENDING AUTHORITY, Page Six

B.3.g Fund Balances (continued)

Fund 310	Current Unrestricted	Nonexempt fund balance/reserve
Fund 320	Auxiliary/Self-Funded	Exempt fund balance/reserve
Fund 330	Current Restricted	Exempt fund balance/reserve
Fund 340	Student Loan Fund	Exempt fund balance/reserve
Fund 350	Endowment Fund	Exempt fund balance/reserve
Fund 371	Unexpended Plant Fund	Exempt fund balance/reserve
Fund 372	Renewal & Replacement Fund	Exempt fund balance/reserve
Fund 373	Retirement of Indebtedness Fund	Exempt fund balance/reserve
Fund 374	Investment in Plant Fund	Exempt fund balance/reserve

As the net annual activity is added to fund balances accounts each fiscal year, it is necessary to subdivide the fund balance by the nonexempt/exempt sources of revenue and separately identify nonexempt/exempt interest earnings so that they may be accurately accounted for as in or out of the TABOR fiscal spending limit. For further discussion of the treatment of interest earnings, please refer to Section B.1.b Other Than Tuition Revenue. The generation of nonexempt and exempt interest earnings relative to Plant Fund fund balances is specifically discussed in Section B.2.h Use of Plant Funds.

B.3.h Use of Plant Funds

The 6/30/95 balances in the exempt plant funds (371) rolled forward to become the 7/1/95 beginning balances in those same exempt plant funds. Those fund balances increase and decrease as the result of activity going forward. Activity will be recorded in the nonexempt plant funds (375) as a result of an institution initiating and running a nonexempt plant project or as the result of interest earnings on nonexempt cash.

A plant project for a nonexempt auxiliary supported by revenues from an exempt auxiliary will be treated as a nonexempt plant project per Transfer Rule 5 (Fund 320-328 transfer to Fund 375). All other transfers to support a plant project result in exempt revenue. Specifically:

- A plant project for an exempt auxiliary supported by revenues from that or another exempt auxiliary: The revenue is originally received as exempt revenue in Fund 320-328 and subsequently transferred to Fund 371 where it is received as exempt revenue. The revenue is exempt from the fiscal spending limit because it was earned by an exempt enterprise. See Transfer Rule 1.
- A plant project for a nonexempt auxiliary supported by revenues from that or another nonexempt auxiliary: The revenue is originally received as nonexempt revenue in Fund 329 and subsequently transferred to Fund 371 where it is received as exempt revenue. The revenue was measured against the fiscal spending limit when originally received in Fund 329 and is therefore exempt when transferred to another fund. See Transfer Rule 2.
- A plant project for a nonexempt instructional building supported by tuition & fees revenues: The revenue is originally received as nonexempt in Fund 310 and transferred to Fund 371 where it is received as exempt revenue. The revenue was measured against the fiscal spending limit when originally received in Fund 310 and is therefore exempt when transferred to another fund. See Transfer Rule 3.

B.3 EXEMPT/NONAPPROPRIATED SPENDING AUTHORITY, Page Seven

B.3.h Use of Plant Funds (continued)

- A plant project for a nonexempt instruction building supported by exempt revenues, i.e. a private gift: The revenue is originally received as exempt in Fund 330 and subsequently transferred to Fund 371 where it is received as exempt revenue. The revenue is exempt from the fiscal spending limit because of its original source (private). See Transfer Rule 4.
- A plant project for a nonexempt instruction building or a nonexempt auxiliary supported by nonexempt restricted revenues, e.g. funding received from a local government: The revenue is originally received as nonexempt in Fund 331 and subsequently transferred to Fund 371 where it is received as exempt revenue. The revenue was measured against the fiscal spending limit when originally received in Fund 331 and is therefore exempt when transferred to another fund. See Transfer Rule 2.

Were an institution to have nonexempt plant fund activity and generate a nonexempt plant fund balance, the interest earned on that balance would be nonexempt.

It is possible to generate both exempt and nonexempt interest from an exempt plant fund Fund Balance. To the extent that an exempt plant fund Fund Balance is increased by non-exempt revenues (application of Transfer Rules 2, 3, and 4), that portion of the fund balance will earn nonexempt interest. Therefore, it is necessary to subdivide an exempt plant fund balance by the exempt/nonexempt sources of revenue and separately identify exempt/nonexempt interest earnings. The nonexempt interest earned must be recorded in the appropriate nonexempt plant fund against the LBA Appropriation Code.

B.3 EXEMPT/NONAPPROPRIATED SPENDING AUTHORITY, Page Eight

B.3.i Internal Service Unit Activity

In some cases, internal service units may not be considered an auxiliary activity eligible for Governing Board designation as an exempt enterprise. In these cases, it is necessary to distinguish between business done with internal versus external customers. For purposes of TABOR, internal is defined as the State of Colorado and therefore includes other state agencies. Therefore, internal service unit sales to other state agencies should be recorded as revenue in an exempt fund using COFRS Revenue Source Code 5311, Inter/Intra Agency Sales.

Internal service activity will be recorded throughout the fiscal year per below.

- If the internal service unit is not an enterprise and there are sales to internal customers, the internal sales (except those to other state agencies as noted above) should be recorded as credits to the appropriate revenue source codes in Fund 328 using COFRS Appropriation Code NAP.
- If the internal service unit is not an enterprise and there are sales to external customers, the external sales should be recorded as revenue in Fund 329 using COFRS Appropriation Code LBA.
- If the internal services unit has been designated as an enterprise by the Governing Board, the activity should be recorded as credits to the appropriate revenue source codes in Funds 320 – 325 using COFRS Appropriation Code NAP.

To satisfy GASB Statement Nos. 34 and 35 requirements for financial statement reporting purposes, Higher Education discrete fund 328 will be used only for non-enterprise internal service activity and will be eliminated by the State. For enterprise internal service activity recorded in Fund 320-325 throughout the fiscal year, the institution will make a year-end entry in the Higher Education discrete Presentation Fund 399 to eliminate the internal service activity in those Funds.

If an internal service unit has both internal and external activity, an institution may, depending upon materiality, interface all of an internal service unit's activity to one Fund/Appropriation Code and make quarterly or annual adjustments to properly record the division of sales. In such a case, on an ongoing basis, the institution should interface the activity to the Fund/Appropriation Code that correctly records the material portions of the activity. As revenue adjustments are made, expenditures must be adjusted to follow the associated revenue.

Clarification on identifying and classifying internal sales activity is provided by the Reporting Internal Sales matrix found on the FAC website at <http://www.sco.state.co.us/fac/index.htm>.

B.4 SPENDING AUTHORITY CONTROLS AND LIMITS

There is a need to specifically record revenues in the correct exempt or nonexempt code and fund. In most cases this determination can be made distinctly for each type of revenue received. However, for auxiliary and self/funded facilities and activities, the determination depended upon the exempt/nonexempt status of the function earning the revenue rather than the nature of the revenue itself. To facilitate understanding and minimize miscoding, it became advisable to specifically limit use of individual codes to certain funds. Section D.1 lists COFRS Revenue Source Codes by Fund. This listing is deliberately intended to restrict the use of specific Revenue Source Codes to specific funds. Should an institution or Governing Board identify a need for additional codes within a fund, their representative on the Financial Advisory Committee must discuss their need with the Committee towards making a change to this listing.

When making such specific coding requirements, it is necessary that everyone have the same understanding of what each code is intended to include. Therefore, the Revenue Source Code Definitions, Section D.2, have been developed. Should the Financial Advisory Committee approve use of an additional code in a fund, that code must be defined in this section.

The following section, B.4 Identification of Exempt Revenues, provides a listing of revenues commonly received in the specific Higher Education discrete funds and identifies them as nonexempt or exempt from the fiscal spending limit.

See the State Fiscal Procedures Manual for general procedures regarding spending authority controls.

B.5 IDENTIFICATION OF EXEMPT REVENUES, Page One

	<u>Exempt Yes/No</u>	<u>Fund</u>
Unrestricted Funds		
Tuition	<u>NO</u>	310
Instructional Fees	<u>NO</u>	310
Charges for Services	<u>NO</u>	310
Sales & Services of Educational Activities	<u>NO</u>	310
Rental Income	<u>NO</u>	310
Transfers of General Fund Appropriation	<u>YES</u>	310
Indirect Cost Recoveries from Local Sources (when initially received here)	<u>NO</u>	310
Indirect Cost Recoveries from Federal, State, and Private Sources	<u>YES</u>	311
Unrestricted Federal and Private Funds	<u>YES</u>	311
Sale of Surplus Equipment, Damage Awards, Royalties	<u>YES</u>	311
Interest Income on Nonexempt Revenues	<u>NO</u>	310
Interest Income on Exempt Revenues	<u>YES</u>	311
Gain/Loss on Nonexempt Investments	<u>NO</u>	310
Gain/Loss on Exempt Investments	<u>YES</u>	311
Transfers from Other Funds	<u>YES</u>	311
Transfers from Enterprises	<u>NO</u>	310
Auxiliary/Self-Funded Funds		
Constitutionally Exempt Revenues	<u>YES</u>	320-326
Revenues from Enterprises	<u>YES</u>	320-325
Interest Income on Nonexempt Revenues	<u>NO</u>	329
Interest Income on Exempt Revenues	<u>YES</u>	320-326
Gain/Loss on Nonexempt Investments	<u>NO</u>	329
Gain/Loss on Exempt Investments	<u>YES</u>	320-326
Transfers from Enterprises to Nonexempt Auxiliary/Self-Funded Functions	<u>NO</u>	329
Transfers from Nonexempt Auxiliary Functions to Enterprises	<u>YES</u>	320-325
Transfers from any other Fund to Nonexempt Auxiliary Functions	<u>YES</u>	320-326
Transfers from any other Fund to Enterprises	<u>YES</u>	320-325
Internal Service Activity	<u>YES</u>	328
Restricted Funds		
Federal Grants & Contracts	<u>YES</u>	330
Private Gifts, Grants & Contracts	<u>YES</u>	330
Interest Income on Federal and Private Funds	<u>YES</u>	330
Gain/Loss on Nonexempt Investments	<u>NO</u>	331
Gain/Loss on Exempt Investments	<u>YES</u>	330
State Grants & Contracts	<u>YES</u>	330
Local Grants & Contracts	<u>NO</u>	331
Interest Income on Nonexempt Funds	<u>NO</u>	331
Transfers from Enterprises	<u>NO</u>	331

B.5 IDENTIFICATION OF EXEMPT REVENUES, Page Two

	<u>Exempt Yes/No</u>	<u>Fund</u>
Student Loan Funds		
Private Gifts	<u>YES</u>	340
Federal Contribution/Cancellation Payments	<u>YES</u>	340
Transfer of Institutional Contribution to Federal Program	<u>YES</u>	340
Interest Income on Federal/Private Program Funds	<u>YES</u>	340
Late Payment Penalties on Federal/Private Program Funds	<u>YES</u>	340
Collection Charges on Federal/Private Program Funds	<u>YES</u>	340
Interest Income on Institutional Program Funds	<u>NO</u>	341
Transfers from Enterprises	<u>NO</u>	341
Endowment Fund		
Private Gifts	<u>YES</u>	350
Interest Income	<u>YES</u>	350

Plant Funds (With implementation of GASB Statement Nos. 34 and 35 for Fiscal Year FY02, Higher Education discrete sub-group plant funds 372, 373, 374, 376, 377, and 378 were eliminated. Only two Higher Education discrete Plant Funds remain - Fund 371 Plant Funds Exempt and Fund 375 Plant Funds Non-exempt.)

Federal Funds	<u>YES</u>	371
Private Funds	<u>YES</u>	371
Transfer of State Capital Construction Appropriation	<u>YES</u>	371
Transfers from Other-Than-Auxiliary/Self-Funded Exempt Fund(s)	<u>YES</u>	371
Interest Income on Exempt Reserves	<u>YES</u>	371
Pledged Interest Income on Bond Proceeds for Exempt Projects	<u>YES</u>	371
Transfers from Enterprises for Nonexempt Projects	<u>NO</u>	375
Interest Income on Nonexempt Reserves	<u>NO</u>	375
Pledged Interest Income on Bond Proceeds for Nonexempt Projects	<u>NO</u>	375
Private Gifts/Grants/Contracts	<u>YES</u>	371
Additions to Fixed Assets	<u>YES</u>	371
Retirement of Indebtedness	<u>YES</u>	371

C.1 HIGHER EDUCATION DISCRETE FUNDS COFRS FUND STRUCTURE

Fund Structure	
310	Current Unrestricted (Nonexempt)
311	Current Unrestricted (Exempt)
320-325	Designated Enterprises (Exempt)
324	CSU Research Building Fund
326	Auxiliary/Self-Funded Non-enterprise (Exempt)
327	CPPS PR Clearing (Exempt)
328	Internal Service Activity (Exempt)
329	Auxiliary/Self-Funded (Nonexempt)
330	Current Restricted (Exempt)
331	Current Restricted (Nonexempt)
332	UCHSC Children's (Health Plan)
333	UCHSC Fitzsimmons Trust Fund
340	Student Loan (Exempt)
350	Endowment (Exempt)
371	Plant (Exempt)
375	Plant (Nonexempt)
380	Agency Fund (Exempt)
399	Financial Presentation Fund (Exempt)

D.1 REVENUE SOURCE CODE GROUPINGS, Page One

Available for use in Any Higher Education Discrete Non-exempt Fund as appropriate:

4801	Nonexempt	Resident Tuition - Graduate
4802	Nonexempt	Resident Tuition - Undergraduate
4803	Nonexempt	Resident Tuition - Other
4805	Nonexempt	Tuition - Nonexempt Continuing Education (Fund 329 Fort Lewis only)
4901	Nonexempt	Nonresident Tuition - Graduate
4902	Nonexempt	Nonresident Tuition - Undergraduate
4903	Nonexempt	Nonresident Tuition - Other
5001	Nonexempt	Sales & Services of Educational Activities
5002	Nonexempt	Instructional Fees (State Appropriated)
5005	Nonexempt	Conference Fees
5007	Nonexempt	State Approp Student Activity Fees (Fund 329 only)
5050	Nonexempt	Scholarship Allowance – Nonexempt Tuition & Fees (contra-revenue account)
5200	Nonexempt	Other Charges for Services
5208	Nonexempt	Credit Card Fees Nonexempt (contra-revenue account)
5402	Nonexempt	Nonexempt Higher Ed Auxiliary/Self-Funded Sales & Services (Fund 329 only)
5450	Nonexempt	Scholarship Allowance – Nonexempt Auxiliary Sales/Service (contra-revenue account)
5900	Nonexempt	Interest Income
5905	Nonexempt	Higher Education Loan Interest - Nonexempt
6000	Nonexempt	Gain/Loss on Investments
6400	Nonexempt	Rental Income – Non-Operating
6420	Nonexempt	Rental Income – Operating
6700	Nonexempt	Donations from Public Sources
7624	Nonexempt	State Government Contract from an Enterprise
7700	Nonexempt	Local Grant/Contract - Operating-
7730	Nonexempt	Local Grants/Contracts - Capital
7750	Nonexempt	Non-Colorado State Grant/Contract - Other
7770	Nonexempt	Non-Colorado State Grant/Contract - Capital
8200	Nonexempt	Other Intergovernmental Revenue
8202	Nonexempt	WICHE Capital Outlay (Fund 310 by CSU only)
8300	Nonexempt	Miscellaneous Revenues – Operating
8310	Nonexempt	Miscellaneous Revenues – Non-Operating
AAGB	Nonexempt	Nonexempt DOHE Institution Internal Transfers
EQGB	Exempt	Exempt DOHE State Appropriation – Operating (Fund 310 only)
ERWB	Nonexempt	Nonexempt DOHE/Controlled Maintenance Trust Fund Transfers to DOHE (Fund 461 only)

Available for use in Any Higher Education Discrete Exempt Fund as appropriate:

4407	Exempt	Serv Charges from DOHE Exempt (Fee for Service Activity)
4804	Exempt	Tuition - Exempt Continuing Education (Fund 320 only)
5003	Exempt	Non Approp Student Activity Fees
5009	Exempt	Non Approp Instructional Fees
5051	Exempt	Scholarship Allowance – Exempt Tuition & Fees (contra-revenue account)
5060	Exempt	HE Internal Srvc Center Activity
5209	Exempt	Credit Card Fees Exempt (contra-revenue account)
5304	Exempt	Sale of Surplus Equipment

D.1 REVENUE SOURCE CODE GROUPINGS, Page Two**Available for use in Any Higher Education Discrete Exempt Fund as appropriate
(continued):**

5311	Exempt	Inter/Intra Agency Sales
5400	Exempt	Exempt Higher Ed Auxiliary Sales & Services
5401	Exempt	Exempt Higher Ed Self-Funded Sales & Services
5451	Exempt	Scholarship Allowance – Exempt Auxiliary Sales & Service (contra-revenue account)
5850	Exempt	Damage Awards - Court Ordered
5860	Exempt	Damage Awards - Insurance Recoveries
5870	Exempt	Damage Awards - Other Awards
5901	Exempt	Federal Equity Interest
5903	Exempt	Interest Income - Exempt
5904	Exempt	Higher Education Loan Interest - Exempt
6001	Exempt	Exempt Investment Gain/Loss
6100	Exempt	Royalties
6410	Exempt	Exempt Rental Income - Non-Operating
6421	Exempt	Exempt Rental Income - Operating
6501	Exempt	Gain on Disposal of Fixed Asset
6600	Exempt	Donations - Private – General
6601	Exempt	Donations - Private – Endowment Additions
6603	Exempt	Donations - Private – Cash for Capital Assets
6609	Exempt	Donations – Capital Asset – Land
6610	Exempt	Donations – Capital Asset – Land Improvements
6612	Exempt	Donations – Capital Asset – Buildings
6614	Exempt	Donations – Capital Asset – Equipment
6615	Exempt	Donations – Capital Asset – Library Holdings
6617	Exempt	Donations – Capital Asset – Art & Historical Holdings
7400	Exempt	Fed Grant/Contract - FedDirect - Operating
7430	Exempt	Federal Grants/Contracts - Capital
7500	Exempt	Fed Grant/Contract - Subrecip - Operating
7530	Exempt	Federal Grants/Contracts – Subrecipient - Capital
7600	Exempt	State Govt Grant/Contract – Operating
7607	Exempt	State Grants/Contracts – DOHE – Non-Operating
7630	Exempt	State Grants/Contracts - Capital
7800	Exempt	Private Grant/Contract - Operating
7830	Exempt	Private Grants/Contracts - Capital
7901	Exempt	Fed Govt/Nongrant/Federal Appropriation
7902	Exempt	Fed Govt/Nongrant/Other
8301	Exempt	Exempt Miscellaneous Revenue – Operating
8303	Exempt	Reimbursement Prior Yr Expense
8304	Exempt	Reversion of Expired (COFRS) Warrants
8311	Exempt	Exempt Miscellaneous Revenues – Non-Operating
ABGA	Exempt	DOHE Internal Transfers (Between 3XX Funds)
ABGC	Exempt	DOHE Institutional Internal Transfers
EBGA	Exempt	DOHE Internal Transfers (Between 3XX Funds & other funds)
EBGD	Exempt	DOHE State Appropriation – Capital
ELGB	Exempt	Student Financial Aid Transfers from CCHE (Fund 330 only)

D.1 REVENUE SOURCE CODE GROUPINGS, Page Three

Special coding for transactions specific to unique activity or limited institutions:

To be used in 310 Current Unrestricted Fund only by CSU :

4100 Nonexempt Other Taxes

To be used in 310 Current Unrestricted Nonexempt Fund only by CU-Health Sciences Center only:

4605 Nonexempt Patient Revenue

4608 Exempt Patient Revenue

To be used in 310 Current Unrestricted Nonexempt Fund by FRCC only:

5302 Nonexempt Sale of Agricultural Products

To be used in 310 Current Unrestricted Nonexempt Fund only by CSU only:

8202 Nonexempt WICHE Capital Outlay

To be used in 310 Current Unrestricted Nonexempt by CCCOES (GJA):

EBDG Exempt DOE/CVA Transfers to CCC

EBEE Exempt Transfers from Governor's Job Training

To be used in 310 Current Unrestricted Non-Exempt Fund by AHEC only:

ABGF Exempt AHEC Constituents Long Bill Transfers

To be used in 311 Current Unrestricted Exempt Fund by AHEC, CCD, METRO, and CU-DENVER only:

ABGH Exempt AHEC Constituents Non-Long Bill Transfers

To be used in fund 350 Endowment Exempt Fund only by Fort Lewis College, CSU, and CU Regents only:

EBPP Exempt DONR/Land Board Transfers to DOHE

To be used in fund 331 Restricted Non-Exempt Fund only by UC Regents only:

EBWJ Exempt Transfers from Tobacco Settlement

To be used for year-end entries in fund 399 Presentation Fund only:

5030 N/A Pledged Tuition & Fees

5930 N/A Non-Operating Pledged Investment Income

5470 N/A Pledged Auxiliary Revenues

7450 N/A Pledged Federal Grants & Contracts

8330 N/A Pledged Other Revenues

D.2 REVENUE SOURCE CODE DEFINITIONS, Page One

Nonexempt	4100	<u>Other Taxes</u> : TO BE USED IN FUND 310 BY CSU ONLY : Revenue received from the Department of Revenue for taxes designated to support Professional Veterinary Medicine.
Exempt	4407	Serv Charges from DOHE Exempt : Revenue received from the Department of Higher Education for fee for service contracts.
Nonexempt	4605	<u>Patient Revenue - NONEXEMPT</u> : TO BE USED IN FUND 310 BY CU-HEALTH SCIENCES CENTER ONLY : Revenue received from patient charges-for service activities not designated as TABOR enterprises at the Health Sciences Center.
Exempt	4608	<u>Patient Revenue - Exempt</u> : TO BE USED IN FUND 320 BY CU-HEALTH SCIENCES CENTER ONLY : Revenue received from patient charges at designated TABOR enterprise patient-service activities at the Health Sciences Center.
Nonexempt	4801	<u>Resident Tuition - Graduate</u> : Revenue received for tuition charged to resident graduate students.
Nonexempt	4802	<u>Resident Tuition - Undergraduate</u> : Revenue received for tuition charged to resident undergraduate students.
Nonexempt	4803	<u>Resident Tuition - Other</u> : Revenue received for tuition charged to resident students in other than graduate and/or undergraduate programs.
Exempt	4804	<u>Tuition - Exempt Continuing Education</u> : TO BE USED IN FUND 320 ONLY : Revenue received for tuition charged to Continuing Education students.
Nonexempt	4805	<u>Tuition - Nonexempt Continuing Education</u> : TO BE USED IN FUND 329 BY FLC ONLY : Revenue received for tuition charged to Continuing Education students.
Nonexempt	4901	<u>Nonresident Tuition - Graduate</u> : Revenue received for tuition charged to nonresident graduate students.
Nonexempt	4902	<u>Nonresident Tuition - Undergraduate</u> : Revenue received for tuition charged to nonresident undergraduate students.
Nonexempt	4903	<u>Nonresident Tuition - Other</u> : Revenue received for tuition charged to nonresident students in other than graduate and/or undergraduate programs.
Nonexempt	5001	<u>Sales & Services of Educ Activities</u> : Revenue received for activities that are related incidentally to the conduct of instruction, research, and public service and for activities that exist to provide instructional and laboratory experience for students and that incidentally create goods and services that may be sold to students, faculty, staff, and/or the general public.

D.2 REVENUE SOURCE CODE DEFINITIONS, Page Two

Nonexempt	5002	<u>Instructional Fees</u> : Appropriated revenue received from those mandatory fees charged to students where the fee is directly related to specific instructional programs per Accounting Standard Number 2, 4/3/89.
Exempt	5003	<u>Exempt Nonappropriated Student Activity Fees</u> : Revenue received for those mandatory fees charged to the student body in general as a result of their attending the institution per Accounting Standard Number 2, 4/3/89 and used to support EXEMPT activity and/or facilities.
Nonexempt	5005	<u>Conference Fees</u> : Revenue received as a flat charge for using institutional resources as a conference site. Does not include revenue received for rental of equipment and/or facilities for other than conference activities, see Revenues Source Codes 6200, 6300, or 6400.
Nonexempt	5007	<u>Nonexempt State Appropriated Student Activity Fees</u> : TO BE USED IN FUND 329 ONLY : Revenue received for those mandatory fees charged to the student body in general as a result of their attending the institution per Accounting Standard Number 2, 4/3/89 and used to support NONEXEMPT activity and/or facilities.
Exempt	5009	<u>Nonappropriated Instructional Fees</u> : Revenue received from fees charged to students related to instructional programs where the fee is not mandatory for graduation.
N/A	5030	<u>Pledged Tuition & Fees</u> : TO BE USED IN FUND 399 ONLY : All tuition & Fee revenue, regardless of status for TABOR purposes, pledged to debt that must be identified as such on the financial statements per GASB #34/35.
Nonexempt	5050	<u>Scholarship Allowance – Tuition & Fees – Nonexempt</u> : TO BE USED IN FUND 399 ONLY : contra-revenue account used to record the nonexempt portion of the calculated scholarship allowance against nonexempt tuition and fees revenue.
Exempt	5051	<u>Scholarship Allowance – Tuition & Fees – Exempt</u> : TO BE USED IN FUND 399 ONLY : contra-revenue account used to record the exempt portion of the calculated scholarship allowance against exempt tuition and fees revenue.
Exempt	5060	<u>HE Internal Servc Center Activity</u> : TO BE USED IN FUND 328 ONLY : Internal Service Center revenue to be eliminated at fiscal year end.
Nonexempt	5200	<u>Other Charges for Services</u> : Non-fee revenue received from students for charges incidental to the teaching mission, including charge-for-services revenue, charges related to the Registrar function, and penalty charges per Accounting Standard Number 2, 4/3/89.

D.2 REVENUE SOURCE CODE DEFINITIONS, Page Three

Nonexempt	5208	<u>Credit Card Fees Nonexempt</u> : Contra-revenue account to be used when an agency receives payment for credit card charges from the bank net of bankcard fees and is required to record those fees as a debit to revenue. May be used as contra to any other nonexempt revenue code.
Exempt	5209	<u>Credit Card Fees Exempt</u> : Contra-revenue account to be used when an agency receives payment for credit card charges from the bank net of bankcard fees and is required to record those fees as a debit to revenue. May be used as contra to any other exempt revenue code.
Nonexempt	5302	<u>Sale of Agricultural Products</u> : TO BE USED IN FUND 310 BY FRCC ONLY : Revenue received from the Cooperative Extension Service, the Agriculture Experiment Station, and FRCC's Larimer Campus.
Exempt	5304	<u>Sale of Surplus Equipment</u> : Revenue received for the sale of surplus property.
Exempt	5311	<u>Inter/Intra Agency Sales</u> : Internal service unit revenue received from another state agency.
Exempt	5400	<u>Exempt Higher Ed Auxiliary Sales & Services</u> : Revenue received directly from the operations of <u>auxiliary enterprises</u> that are certified and legislated to be EXEMPT. No Continuing Education revenues should be charged to this Revenue Source Code.
Exempt	5401	<u>Exempt Higher Ed Self-Funded Sales & Services</u> : Revenue received directly from the operations of <u>self-funded activities</u> which are certified and legislated to be EXEMPT, <u>except for revenue received for Continuing Education tuition</u> which are to be charged to Revenue Source Code 4804.
Exempt	5850	<u>Damage Awards - Court Ordered</u> : Revenues received as damage deposits through court ordered settlements.
Nonexempt	5402	<u>Nonexempt Higher Ed Auxiliary/Self-Funded Sales & Services</u> : TO BE USED IN FUND 329 ONLY : Revenue received directly from the operations of <u>auxiliary and self/funded activities</u> which are NOT certified and legislated to be exempt.
Nonexempt	5450	<u>Scholarship Allowance – Auxiliary Sales/Service - Nonexempt</u> : TO BE USED IN FUND 399 ONLY : contra- revenue account used to record the nonexempt portion of the calculated scholarship allowance against nonexempt auxiliary sales and service revenue.
Exempt	5451	<u>Scholarship Allowance – Auxiliary Sales/Service - Exempt</u> : TO BE USED IN FUND 399 ONLY : contra-revenue account used to record the exempt portion of the calculated scholarship allowance against exempt auxiliary sales and service revenue.

D.2 REVENUE SOURCE CODE DEFINITIONS, Page Four

N/A	5470	<u>Pledged Auxiliary Revenues</u> : TO BE USED IN FUND 399 ONLY: All Auxiliary and Self-Funded revenue, regardless of status for TABOR purposes, pledged to debt that must be identified as such on the financial statements per GASB #34/35.
Exempt	5860	<u>Damage Awards - Insurance Recoveries</u> : Revenues received as damage deposits through insurance recoveries.
Exempt	5870	<u>Damage Awards - Other Awards</u> : Revenues received as damage deposits other than for court ordered settlements or insurance recoveries.
Nonexempt	5900	<u>Interest Income</u> : Revenue received from interest earned on nonfederal and non-private funds held by the institution.
Exempt	5901	<u>Federal Equity Interest</u> : Revenue received from the federal government as a result of the Cash Improvement Act determination of interest to/from Colorado.
Exempt	5903	<u>Interest Income - Exempt</u> : Revenue received from interest earned on exempt funds held by the institution.
Exempt	5904	<u>Higher Education Loan Interest – Exempt</u> : Revenue received from interest earned on the exempt loan activity of the institution.
Nonexempt	5905	<u>Higher Education Loan Interest – Nonexempt</u> : Revenue received from interest earned on the non-exempt loan activity of the institution.
N/A	5930	<u>Non-Operating Pledged Investment Income</u> : TO BE USED IN FUND 399 ONLY: All investment income pledged to debt that must be identified as such on the financial statements per GASB #34/35.
Nonexempt	6000	<u>Gain/Loss on Investments</u> : Revenue received from the disposition of nonexempt investments held by the institution.
Exempt	6001	<u>Exempt Investment Gain/Loss</u> : Revenue received from the disposition of exempt investments held by the institution.
Exempt	6100	<u>Royalties</u> : Revenue received for royalties.
Nonexempt	6400	<u>Nonexempt Rental Income – Non-Operating</u> : Revenue received for rental of equipment and/or facilities and that is classified as non-operating revenue on the financial statements per GASB #34/35. Does not include revenue received as a flat charge for using institutional resources as a conference site, see Revenue Source Code 5005.
Exempt	6410	<u>Exempt Rental Income – Non-Operating</u> : Revenue received for rental of equipment and/or facilities belonging to a designated enterprise and that is classified as non-operating revenue on the financial statements per GASB #34/35.

D.2 REVENUE SOURCE CODE DEFINITIONS, Page Five

Nonexempt	6420	<u>Nonexempt Exempt Rental Income – Operating</u> : Revenue received for rental of equipment and/or facilities and that is classified as operating revenue on the financial statements per GASB #34/35. Does not include revenue received as a flat charge for using institutional resources as a conference site, see Revenue Source Code 5005.
Exempt	6421	<u>Exempt Rental Income– Operating</u> : Revenue received for rental of equipment and/or facilities belonging to a designated enterprise and that is classified as operating revenue on the financial statements per GASB #34/35.
Exempt	6501	<u>Gain on Disposal of Fixed Asset</u> : Funds received at disposal of a fixed asset above the depreciated value of the disposed asset.
Exempt	6600	<u>Donations - Private - Restricted</u> : Revenue received as restricted gifts from private sources.
Exempt	6601	<u>Donations - Private - Unrestricted</u> : Revenue received as unrestricted gifts from private sources.
Exempt	6603	<u>Donations - Private – Cash for Capital Assets</u> : Cash gifts received from private sources that are restricted for capital purposes.
Exempt	6609	<u>Donations – Capital Asset - Land</u> : Land received as a gift and valued at an amount over the capitalization threshold.
Exempt	6610	<u>Donations – Capital Asset – Land Improvements</u> : Land improvements received as a gift and valued at an amount over the capitalization threshold.
Exempt	6612	<u>Donations – Capital Asset – Buildings</u> : Buildings received as a gift and valued at an amount over the capitalization threshold.
Exempt	6614	<u>Donations – Capital Asset – Equipment</u> : Equipment received as a gift and valued at an amount over the capitalization threshold.
Exempt	6615	<u>Donations – Capital Asset – Library Holdings</u> : Library holdings received as a gift and valued at an amount over the capitalization threshold.
Exempt	6617	<u>Donations – Capital Asset – Art & Historical Holdings</u> : Art and historical holdings received as a gift and valued at an amount over the capitalization threshold.
Nonexempt	6700	<u>Donations from Public Sources</u> : Revenue received as restricted and/or unrestricted gifts from public sources.
Exempt	7400	<u>Fed Grant/Contract - FedDirect - Operating</u> : Revenue received directly from the federal government for primarily operating grant and/or contract agreements with the institution.

D.2 REVENUE SOURCE CODE DEFINITIONS, Page Six

Exempt	7430	<u>Fed Grant/Contract - FedDirect - Capital:</u> Revenue received directly from the federal government for primarily capital grant and/or contract agreements with the institution.
N/A	7450	<u>Pledged Federal Grants & Contracts:</u> TO BE USED IN FUND 399 ONLY: All federal revenue pledged to debt that must be identified as such on the financial statements per GASB #34/35.
Exempt	7500	<u>Fed Grant/Contract - Subrecip – Operating:</u> Revenue received indirectly from the federal government for primarily operating grant and/or contract agreements with the institution. The entity from which the federal funds are passed may be a State, local, or private entity.
Exempt	7530	<u>Fed Grant/Contract - Subrecip - Capital:</u> Revenue received indirectly from the federal government for primarily capital grant and/or contract agreements with the institution. The entity from which the federal funds are passed may be a State, local, or private entity.
Exempt	7600	<u>State Govt Grant/Contract –Operating:</u> Revenue received from another <u>State of Colorado</u> agency for primarily operating purposes when the original source of funds is state and not federal funds.
Exempt	7607	<u>State Grants/Contracts – DOHE – Non Operating:</u> Revenue received from another <u>State of Colorado Department of Higher Education</u> agency for non-operating purposes.
Nonexempt	7624	<u>State Government Contract from an Enterprise:</u> Revenue received for primarily operating purposes from an entity designated as an enterprise by another <u>State of Colorado</u> agency or by Colorado statute.
Exempt	7630	<u>State Govt Grant/Contract - Capital:</u> Revenue received from another <u>State of Colorado</u> agency for primarily capital purposes when the original source of funds is state and not federal funds.
Nonexempt	7700	<u>Local Grant/Contract - Operating:</u> Revenue received from a <u>State of Colorado</u> local entity (cities, counties, authorities, school districts, or special districts) for primarily operating grant and/or contract agreements with the institution.
Nonexempt	7730	<u>Local Grant/Contract - Capital:</u> Revenue received from a <u>State of Colorado</u> local entity (cities, counties, authorities, school districts, or special districts) for primarily capital grant and/or contract agreements with the institution.
Nonexempt	7750	<u>Non-Colorado State Grant/Contract – Other:</u> Revenue received from another state for primarily operating purposes when the original source of funds is state and not federal or private funds.

D.2 REVENUE SOURCE CODE DEFINITIONS, Page Seven

Nonexempt	7770	<u>Non-Colorado State Grant/Contract – Capital:</u> Revenue received from another state for primarily capital purposes when the original source of funds is state and not federal or private funds.
Exempt	7800	<u>Private Grant/Contract - Operating:</u> Revenue received from private sources for primarily operating grant and/or contract agreements with the institution no matter the original source of funds. This includes revenue received from any nonfederal public entity outside Colorado, i.e. non-Colorado state agencies, local entities, and/or colleges and universities.
Exempt	7830	<u>Private Grant/Contract -Other - Capital:</u> Revenue received from private sources for primarily capital grant and/or contract agreements with the institution no matter the original source of funds. This includes revenue received from any nonfederal public entity outside Colorado, i.e. non-Colorado state agencies, local entities, and/or colleges and universities.
Exempt	7901	<u>Fed Govt/Nongrant/Federal Appropriation:</u> TO BE USED IN FUND 311 ONLY: Revenue received from the federal government as a direct appropriation to the institution.
Exempt	7902	<u>Fed Govt/Nongrant/Other:</u> TO BE USED IN FUND 311 ONLY OR IN FUND 320 BY CSU ONLY: Revenues received from federal sources for other than a grant or contract or as appropriated funds.
Nonexempt	8200	<u>Other Intergovernmental Revenue - Nonexempt:</u> Revenue received from nonexempt sources for other than a grant or contract or as other than a direct appropriation to the institution.
Nonexempt	8202	<u>WICHE Capital Outlay:</u> TO BE USED IN FUND 310 BY CSU ONLY: Revenue received from the Colorado Commission on Higher Education for WICHE capital outlay funding from the State of Colorado.
Nonexempt	8300	<u>Miscellaneous Revenues- Operating:</u> Revenue received from an activity classified as operating on the SRECNA which is immaterial and cannot be accurately classified into any other Revenue Source Code, including late penalty and/or collection charges for institutional loan programs and non-interest revenue on nonexempt construction projects.
Exempt	8301	<u>Exempt Miscellaneous Revenues - Operating:</u> Revenue received by a designated enterprise, classified as operating on the SRECNA, which is immaterial and cannot be accurately classified into any other Revenue Source Code.
Exempt	8303	<u>Reimbursement for Prior Year Expenses:</u> Refunds received for expenditures made in a prior fiscal year.

D.2 REVENUE SOURCE CODE DEFINITIONS, Page Eight

Exempt	8304	<u>Revision of Expired (COFRS) Warrants:</u> Offset account for recording reversion of warrants issued by the COFRS which are generally limited to those issued by the Community College System and by institutions using COFRS to record fund 461 activity.
Nonexempt	8310	<u>Miscellaneous Revenues– Non-Operating:</u> Revenue received from an activity classified as non-operating on the SRECNA which is immaterial and cannot be accurately classified into any other Revenue Source Code, including late penalty and/or collection charges for institutional loan programs and non-interest revenue on nonexempt construction projects.
Exempt	8311	<u>Exempt Miscellaneous Revenues – Non-Operating:</u> Revenue received by a designated enterprise, classified as Non-Operating on the SRECNA , which is immaterial and cannot be accurately classified into any other Revenue Source Code.
N/A	8330	<u>Pledged Other Revenues:</u> TO BE USED IN FUND 399 ONLY: All revenue, regardless of status for TABOR purposes, pledged to debt - except Tuition and Fee Revenues (see Code 5030), Auxiliary Revenues (see Code 5470), and Federal Revenues (see Code 7450) - that must be identified as such on the financial statements per GASB #34/35.
Nonexempt	AAGB	<u>Nonexempt Department of Higher Education Institutional Internal Transfers (previously code 9401):</u> Nonexempt transfer revenue received from another fund within the same institution.
Exempt	ABGA	<u>Exempt Department of Higher Education Internal Transfers (previously code 9400):</u> TO BE USED FOR INTERNAL TRANSFERS BETWEEN 3XX FUNDS: Exempt transfer revenue received from another entity in the Department of Higher Education and from a 3XX Higher Education discrete fund.
Exempt	ABGF	<u>Exempt AHEC Constituents Long Bill Transfers:</u> TO BE USED IN FUND 310 BY GMA ONLY: Transfer revenue received by the Auraria Higher Education Center from its constituent institutions per the Long Bill.
Exempt	ABGH	<u>Exempt AHEC Constituents Non-Long Bill Transfers:</u> TO BE USED IN FUND 311 BY GMA, GFD, GHD or GJD ONLY: Transfer revenue received by the Auraria Higher Education Center, the University of Colorado at Denver, the Community College of Denver or Metropolitan State College of Denver from any of these entities in accordance with agreements between them separate from the Long Bill appropriation.
Exempt	ABGC	<u>Exempt Department of Higher Education Institutional Internal Transfers (previously code 9400):</u> Exempt transfer revenue received from another fund within the same institution.

D.2 REVENUE SOURCE CODE DEFINITIONS, Page Nine

Exempt	EBDG	<u>Exempt Department of Education transfers to Colorado Community Colleges:</u> TO BE USED IN FUND 310 BY GJA ONLY: Exempt transfer revenue received from the Colorado Department of Education by the Colorado Community Colleges for Colorado Vocational Act Programs.
Exempt	EBEE	<u>Exempt transfers from the Governor’s Job Training Program:</u> TO BE USED IN FUND 310 BY GJA ONLY: Exempt transfer revenue received from the Governor’s Job Training Program by the Colorado Community Colleges.
Exempt	EBGA	<u>DOHE Exempt Internal Transfers (previously code 9400):</u> TO BE USED FOR INTERNAL TRANSFERS BETWEEN 3XX FUNDS AND ANY OTHER FUNDS: Exempt transfer revenue received from another entity in the Department of Higher Education and from <u>other than</u> a Higher Education 3XX discrete fund.
Exempt	EBGD	<u>Exempt Department of Higher Education Appropriation – Capital (previously code 8509):</u> Exempt transfer revenue received from the State of Colorado for capital purposes.
Exempt	EBPP	<u>Exempt Department of Natural Resources/Land Board to Department of Higher Education:</u> TO BE USED IN FUND 350 BY GFX, GGB or GGH ONLY: Exempt transfer revenue received from the State of Colorado Department of Natural Resources Land Board by the University of Colorado, Colorado State University or Fort Lewis College.
Exempt	EBWJ	<u>Exempt Transfers from Tobacco Settlement:</u> TO BE USED BY GFA ONLY: transfer revenue received from the State of Colorado Tobacco Settlement fund by the University of Colorado.
Exempt	ELGB	<u>Exempt Student Financial Aid Transfers from CCHE (previously code 8506):</u> TO BE USED IN FUND 330 ONLY: Exempt transfer revenue received from the Colorado Commission on Higher Education for state-funded student financial aid programs.
Nonexempt	ERWB	<u>Nonexempt Controlled Maintenance Trust Fund Transfers to the Department of Higher Education (previously code 8725):</u> TO BE USED IN FUND 461 ONLY: Nonexempt transfer revenue received from the State of Colorado Controlled Maintenance Trust Fund for capital purposes.
Exempt	EQGB	<u>Exempt Department of Higher Education Appropriation – Operating (previously code 8509):</u> Exempt transfer revenue received from the State of Colorado for operating purposes.

E.1 ALLOCATION OF EXPENDITURES

The discussion and information presented thus far has focused on revenues because that is the focus of the constitutional and statutory changes which have resulted from the passage of the TABOR Amendment. The annual state fiscal spending limit is established, measured, and controlled via revenues. Therefore, Higher Education has changed the way it accounts for those revenues. Generally, the direction those changes needed to take followed the clearly identifiable separation of exempt and nonexempt revenues.

However, in the Current Unrestricted Fund, these revenues are fungible. We may be able to clearly identify a dollar of revenue taken in the door as exempt or nonexempt but we cannot similarly identify the expenditure it will ultimately fund because there is no link between the two. Our new fund structure demands that we record these inseparable expenditures into separate exempt and nonexempt funds. This is not a uniquely Higher Education problem but our discrete fund structure does complicate it.

When we make a current unrestricted expenditure, we must now decide whether to record that expenditure on COFRS in the Nonexempt Fund 310 or the Exempt Fund 311. Again, our systems make no linkages between a revenue dollar taken and a dollar expended. Therefore, in the Current Unrestricted Funds, expenditures may be arbitrarily allocated between the Nonexempt Fund 310 and the Exempt Fund 311.

In those funds where the separation of exempt from nonexempt is functional, i.e. auxiliary and self/funded, or project based, i.e. restricted, expenditures will be linked to the revenue source and will be appropriately recorded.

EXEMPT GUIDELINES

These Enterprise Guidelines are issued by the Higher Education Governing Boards' Financial Advisory Committee to implement changes in accounting on the state's accounting system resulting from passage of the College Opportunity Fund Act (SB04-189).

The constitution allows exemptions from the state's fiscal spending limitation under TABOR only if the revenues are generated by an "enterprise", constitutionally defined as government owned business that has authority to generate revenue bonds and gets not more than 10% of its revenues from state grants. CRS 23-5-101.5 (HB93-1355) defines "grant" as follows:

23-5-101.5(2)(b)(I) "Grant" means any direct cash subsidy or other direct contribution of money from the state or any local government in Colorado which is not required to be repaid.

(II) Grant does not include:

(A) Any indirect benefit conferred upon an auxiliary facility, or group of auxiliary facilities or an institution or group of institutions from the state or any local government in Colorado, including any interest in or use of existing facilities owned, funded, or financed by the governing board of an institution, the state, or any local government in Colorado;

(B) Any revenues resulting from market exchanges such as rates, fees, assessments, tuition, or other charges imposed by an auxiliary facility, or group of auxiliary facilities or by an institution or group of institutions for the provision of goods or services by such auxiliary facility, group of auxiliary facilities, institution or group of institutions, including services to the state or local government in Colorado and fees paid to the auxiliary facility or group of auxiliary facilities for internal services provided to the institution of higher education with which the auxiliary facility is associated;

(C) Any federal funds, regardless of whether such federal funds pass through the state or any local government in Colorado prior to receipt by an auxiliary facility, group of auxiliary facilities, institution, or group of institutions;

(D) Fees received by an institution pursuant to a fee-for-service contract between the department of higher education and the institution or the institution's governing board;

(E) Revenues received by an institution or group of institutions that have been paid on behalf of an eligible undergraduate student from the College Opportunity Fund.

Once a governing board qualifies and adopts enterprise designation, they must submit their designation to the Office of State Auditor within twenty days. The office of the State Auditor and the Legislative Audit Committee are required review the designation and determine if it conforms to the provisions of the law (CRS 23-5-101.7(4)(b)).

F.1. REPORTING STRUCTURE, Page One

F.1.a Higher Education Enterprise Fund Structure

Reporting under the nonexempt guidelines required discrete funds for distinguishing exempt and nonexempt activity. Although discrete fund accounting is still used by most institutions for internal reporting and management purposes, it is not required for enterprises reporting in the state’s accounting system (COFRS). All higher education entities designated as enterprises will report operating activity in fund 320 in COFRS. Financial presentation entries will continue to be allowed in fund 399.

There may be some situations where an institution is appropriated funds for specific purposes not related to their general operating activity. In these instances, additional funds may be required. See below for a full description of the fund structure.

Enterprise Fund Structure	
100	Specific Purpose GF appropriations
320	Designated Enterprises
333	Fitzsimons Trust Fund (CU Only)
399	Financial Presentation Fund

F.1. **REPORTING STRUCTURE**, Page TwoF.1.b Appropriation Codes

Before becoming exempt enterprises, institutions were required to track nonexempt revenue. The Legislature controlled such revenues via the Long Bill and they were recorded in COFRS by appropriation code. LBA was used to track nonexempt appropriated activity and NAP was used for exempt nonappropriated activity. As a designated enterprise, this requirement no longer exists and most revenues and expenses should be recorded in appropriation code NAP. Exceptions include CCHE financial Aid, appropriated capital construction and non-operating activity appropriated for specific purposes. The table below shows the appropriation codes and applicable funds.

Enterprise Appropriation Codes		
Code	Description	Fund
LBA	Long Bill Appropriation	320
NAP	Revenues/Expenses	320, 399
CWS	CCHE Financial Aid	320
LNM	CCHE Financial Aid	320
MBG	CCHE Financial Aid	320
NBG	CCHE Financial Aid	320
NTG	CCHE Financial Aid	
SIG	CCHE Financial Aid	320
PTS	CCHE Financial Aid	320
XXX (diff for each project)	Misc Cap Construction	461
FTZ	Fitzsimons Trust Fund (CU Only)	333
AVS	Area Vocation Support (CCCS Only)	320
CJT	Colorado First Customized Job Training (CCCS Only)	320
CVA	Colorado Vocational Act (CCCS Only)	320
DCL	Local District Junior College (CCCS Only)	100
EIT	Existing Industry Training (CCCS Only)	320
OCC	Division of Occupational Education (CCCS Only)	100, 320
SPA	Sponsored Programs – Administration (CCCS Only)	320
SPP	Sponsored Programs – Programs (CCCS Only)	320
VSA	Area Vocation Support (CCCS Only)	100

F.1. REPORTING STRUCTURE, Page Three**F.1.c Program Codes**

Prior to GASB 34/35, Program Codes in COFRS were used to delineate expenditures by function. When the new financial reporting requirements were implemented in fiscal year 02, the State Controllers Office no longer used Program Codes at the state level. However, higher education continued to use them for their individual financial statements.

Once schools began reporting all activity in fund 320 as enterprises, there was a concern that information that had been reported in funds 310 and 311 could no longer be easily extracted from COFRS for reporting to the JBC and CCHE. Therefore, the institutions agreed to use Program Code 1100 (E&G) to identify activity that would have been recorded in funds 310/311 and 1900 (Non E&G) for all other activity.

Because some schools use COFRS rather than internal systems for financial statements and internal reporting, functional program codes in COFRS are still necessary. New program codes were created to accommodate these institutions including CSU-Pueblo, Western State College and Adams State College. Activity that was recorded in funds 310/311 is now reported in Program Codes 11XX and all other Activity is recorded in Program Codes 19XX. All program codes are listed below.

Enterprise Program Codes	
Code	Description
	All Institutions:
1100	Education and General
1900	Non Education and General
	CSU Pueblo, ASC and WSC only:
E&G:	
1110	Tuition and Fees
1120	Federal Grants and Contracts
1121	State/Local Grants and Contracts
1122	Private Gifts/Grants/Contracts
1130	Investment Income
1140	Other Revenues/Additions
1100	Instruction
1112	Research
1113	Public Service
1114	Academic Support
1115	Student Services
1116	Institutional Support
1117	Operation and Maintenance of Plant
1118	Scholarships and Fellowships
1134	Indirect Cost Recovery
1190	Mandatory Transfer
1191	Nonmandatory Transfer

F.1. **REPORTING STRUCTURE**, Page Four

F.1.c Program Codes (continued)

Enterprise Program Codes	
Code	Description
	CSU Pueblo, ASC and WSC only:
Non E&G	
1910	Tuition and Fees
1920	Federal Grants and Contracts
1921	State/Local Grants and Contracts
1922	Private Gifts/Grants/Contracts
1930	Investment Income
1940	Other Revenues/Additions
1951	Sales/Services Auxiliaries
1911	Instruction
1912	Research
1913	Public Service
1914	Academic Support
1915	Student Services
1916	Institutional Support
1917	Operation and Maintenance of Plant
1918	Scholarships and Fellowships
1900	Auxiliaries/Hospital Exp
1934	Indirect Cost Recovery
1990	Mandatory Transfer
1991	Nonmandatory Transfer

F.1. REPORTING STRUCTURE, Page Five

F.1.d Revenue Source Codes

The TABOR treatment of revenue is dictated by the fund/agency enterprise status of the institution. The exempt/nonexempt designation for Revenue Source Codes is not applicable for exempt agencies. However, it is important institutions report financial activity consistently to COFRS for reporting purposes. Only the Revenue Source Codes defined in section D.2 are allowed whether or not the institution is a designated enterprise. The use of additional codes must be approved by the Financial Advisory Committee and defined in that section.

G.1 EXEMPT/APPROPRIATED SPENDING AUTHORITY, Page One

Because enterprises are not required to track revenues for TABOR, separate line items on the Long Bill are not shown. However, the legislature continues to control specific revenues and appropriates Cash Funds Exempt spending authority in one lump sum to each institution. The sources of that revenue include tuition, facility and academic student fees and fee for service activity.

G.1.a Tuition Revenue

One of the most significant changes resulting from the College Opportunity Fund Act (SB04-189) was the elimination of General Fund Support to the institutions. Instead, funds are appropriated to the College Opportunity Fund and eligible student can use these monies (stipends) to pay for tuition. Although the letter-notes in the Long Bill distinguish the amount of revenue received from COF and that received from the students, tuition revenue includes both the stipend and the student's share.

It is important to note that SB04-189 specifically excludes stipends as state support (CRS 23-5-101.5(2)(b)(II)(E)). This was confirmed in an opinion issued from Office of Attorney General on July 7, 2005 stating "it appears the stipend is not a grant for TABOR purposes because stipends drawn from the College Opportunity Fund result in an indirect government benefit to the educational institutions rather than a direct government grant." In August of 2005, the Legislative Audit Committee agreed and also concluded that stipends received from students did not constitute state grants and are not included in the TABOR calculation.

Tuition is a component of total revenues the Legislature continues to control. In order to track the amount of tuition revenue earned in COFRS for reporting purposes, the following Revenue Source Codes should be used:

- Resident Tuition – Grad 4801
- Resident Tuition – Undergrad 4802
- Resident Tuition – Other 4803
- Non-Res Tuition – Grad 4901
- Non-Res Tuition – Undergrad 4902

G.1.b Fee for Service Revenue

The College Opportunity Fund Act created the use of Fee for Service Contract between the Department of Higher Education and individual institutions. The Act states that "each contract may contain, but is not limited to one or more of the following components:

1. Educational Services in Rural areas;
2. Basic Skill courses;
3. Educational Services associated with the "Postsecondary Enrollment Act";
4. Educational Services associated with the High Schools Fast Track Program;
5. Educational Services required of the commission to meet its obligation under reciprocal agreements pursuant to section 23-1-12;
6. Graduate School Services;

G.1 EXEMPT/APPROPRIATED SPENDING AUTHORITY, Page Two

G.1.b Fee for Service Revenue (continued)

7. the state, including courses to assist students in career development and retraining; and
8. Specialized educational services and professional degrees, including but not limited to the areas of dentistry, medicine, veterinary medicine, nursing, law, forestry and engineering.”

In addition, it excluded this revenue from the definition of state support CRS (CRS 23-5-101.5(2)(b)(II)(D)). The Legislative Audit Committee agreed that several components of the fee for service contracts constitute business type activity. For all components except economic development, the Department of Higher Education is purchasing credit hours from the institutions thus creating a market exchange. They did not believe that payment for economic development qualified, stating that “since there is not a specific identification or basis for measurement of the services, we cannot conclude that the value of services to be provided is essentially equal to the purchase price in the contract”. Therefore, revenue derived from providing economic development opportunities must be accounted for as a state grant or state support and be considered as such in the TABOR calculation. All other fee for service revenue is not considered state support and is exempt from the TABOR calculation.

In order to track fee for service revenue separately for reporting purposes, it should be recorded in Revenue Source Code 4407 (Serv Charges from DOHE Exempt). Revenue from Economic Development activities is considered non-operating revenue and should be recorded in Revenue Source Code 7607.

G.1.c Student and Facility Fees

The legislature controls the amount of academic/facility student fees institutions receive and continues to include an estimate for these revenues in the Cash Funds Exempt appropriation for each school.

Fees included on the Long Bill are no longer determined based on exempt/nonexempt status. Instead, the JBC staff defined includable fees as those which “directly support the academic mission of the institutions. They do not include fees for auxiliary programs like housing, food services, parking and student government” (Long Bill Narrative 2005). In general, if an academic fee or academic facility fee is required in order for a student to graduate, those revenues should be included in the appropriation.

In order to track these fees in COFRS for reporting purposes, the following codes should be used:

- Instructional Fees (Appropriated Student Fees) 5002
- Non Appropriated Student Fees 5009
- Appropriated Student Activity Fees (Include Approp Facility Fees) 5007
- Non Appropriated Student Activity Fees (Include Nonap Facility Fees) 5003

F.4 EXEMPT/APPROPRIATED SPENDING AUTHORITY, Page Three

G.1.d Scholarship Allowances

GASB Statement Nos. 34 and 35 require that revenue be reported net of discounts or allowances. Tuition and fee revenue will be presented on the financial statements net of a scholarship allowance amount recorded at year-end.

Scholarship allowance was recorded quarterly in the operating fund where the revenue against which the allowance being applied was recorded. Scholarship allowance will be recorded quarterly in fund 320 for designated enterprises.

Specific COFRS Revenue Source codes exist to distinguish the scholarship allowance as contra-revenue to exempt or nonexempt tuition and exempt or nonexempt auxiliaries and self-funded revenue. Refer to COFRS Accounting Model QTR1 for guidance on making the quarterly scholarship allowance entry on COFRS.

H.1 REPORTING INTERNAL SERVICE CENTER ACTIVITY

Under Nonexempt reporting, exempt internal service centers (ISC) were accounted for in the COFRS discrete fund 328. The State Controllers Office eliminated revenues against expense at year end. Internal Service Centers designated as exempt enterprises were recorded in COFRS fund 320 and each institution was required to eliminated revenues and expenses in a year end adjustment entry.

As enterprises all Internal Service Center activity will be accounted for in COFRS fund 320 and each institution will be required to eliminate revenues and expenses. ISC revenue should be reported in Revenue Source Code 5060 (HE Internal Srvc Center Activity). See Accounting Model YE10 showing an elimination entry example.