COLORADO COMMUNITY COLLEGE SYSTEM ACCOUNTING PROCEDURES MANUAL (SAP)

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SAP-1: ADOPTION OF ACCOUNTING PROCEDURES

DATE APPROVED BY CONTROLLERS’ GROUP: June 16, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE:

PURPOSE:

The System Accounting Procedures (SAPs) serve two purposes:

1. To establish consistent procedures for community colleges for accounting and/or financial reporting.
2. To provide reference material where other authoritative guidelines do not exist or there are not specific procedures to follow.

PROCEDURE:

Accounting procedures for the community colleges will be written as the need becomes apparent. The initial drafts may be written by interested individuals or by task groups formed for that purpose.

The draft procedures will be distributed to the community college controllers’ group for discussion and comment.

After discussion, revision and agreement, the procedure will be added to the SAP manual. The procedure is binding on all State system community colleges. The identification of authoritative support for an alternative procedure does not justify a departure from the SAP. In such cases, the appropriate action is a proposal to state system staff for a revision of the published procedure as may be necessary.

SAP-2: STANDARD TUITION REFUND POLICY

DATE APPROVED BY CONTROLLERS' GROUP: February 2, 2000

EFFECTIVE DATE: July 1, 1999
REVISED DATE:

PURPOSE: To establish a tuition refund policy that is consistently applied across the Colorado Community College and Occupational Education System.

PROCEDURE: A 100% refund of tuition will be made if a student officially drops from classes prior to the class census date. There will be no refund if the student withdraws from a class after the published census date.

Exceptions to this policy will be made in cases where the federal or state government or state board policy mandates or suggests a different refund policy. An example is SBCCOE Board Policy 4-20 which allows a refund to students who are in the National Guard or military reserves in the event they are called to active duty as the result of partial or general mobilization.

SAP-3: ACCOUNTS RECEIVABLE, SPONSORED STUDENTS

DATE APPROVED BY CONTROLLERS' GROUP: February 2, 2000

EFFECTIVE DATE: July 1, 1999
REVISED DATE:

PURPOSE: To provide guidance on accounts receivable, sponsored students

PROCEDURE: Normally a student is expected to either pay tuition in full or make satisfactory alternative arrangements at time of registration. One of the acceptable alternatives is that payment is expected from the student's sponsor at a later date. This procedure addresses some issues which might arise if payment is not received from the sponsor.

To begin with, it should be made clear to the student that he or she is the one ultimately responsible for the payment of the tuition bill. This will probably be explicitly stated in the college catalog; nevertheless, it would be wise to remind the student of this at the time the sponsor's guarantee is accepted in lieu of cash payment.

If the sponsorship is conditional (e.g., the sponsor will pay tuition if the student satisfactorily completes the course), the college should require the student to satisfy his or her tuition obligation by payment at time of registration or by one of the other alternatives provided by college policy.

If the college accepts the sponsor as payer of the student's tuition, the college must use due diligence in its efforts to collect from that sponsor. Obviously the college will have great difficulty in eventually collecting from the student if the inability to collect from the sponsor can be blamed on misfeasance or nonfeasance on the part of the college.

If the sponsor does not make the required payment, the college should notify the student that the expected payment has not been received and that it is the student's responsibility to pay the outstanding balance. If the student does not pay, the college should take the usual measures to enforce payment.

If it becomes necessary to refer the account to the Central Collection Agency, the presumption is that collection action should be directed against the student; the Central Collection Agency should be instructed accordingly.

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SAP-4: ALLOWANCE FOR DOUBTFUL ACCOUNTS - REVISION DRAFT 4/02

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE: July 1, 2001

PROCEDURE: This procedure is designed to provide guidance for computing the allowance for doubtful accounts receivable for financial statement presentation. The objective is to ensure that receivable allowances are computed in a reasonable and consistent manner throughout the Colorado Community College System.

I. Methodology

There are basically two acceptable methods of determining an allowance for doubtful accounts; the percent of revenue method (income statement approach) and the percent of ending receivable method (balance sheet approach). The percent of ending receivable method was selected for the system financial statements because it is the method traditionally used by the colleges. Also, this method is easier to apply, given that collection history information is available from the Central Collection Service (CCS).

II. HISTORICAL DEFAULT RATES WILL BE USED

Each college shall determine an allowance for doubtful accounts based on the historical rate(s) of default for the college. The default rates used may be derived from the total to date collection percentage as reported by the Central Collection Service (CCS) on the performance statistics page of their monthly collection report to each agency, or other justifiable rates as determined by the college.

The allowance may also include the anticipated collection fee charged by the collection agent (CCS), unless the college intends to charge the student's account for the fee. The rationale for this is that the college knows immediately upon turning an account over to the collection agency that a portion of the account balance belongs to the agent. For example, if CCS charges a 25% collection fee, the net realizable value of an account at CCS can never be more than 75% of the account balance. As an alternative, the college may elect to charge the student's account for the collection fee. In this case, the collection fee is added to the outstanding receivable balance and should not be added to the allowance for doubtful accounts.

III. ACCOUNTS TO BE EXCLUDED FROM THE COMPUTATION

An allowance will be computed for financial statement presentation for all accounts receivable recorded, except for the following types of accounts which shall be excluded from the computation.

A. SPONSORED STUDENT (3RD PARTY) RECEIVABLES
It has been the experience at the system colleges that sponsored student receivables are usually 100% collectible. As a general rule, no allowance will be reported for sponsored student receivables unless a college becomes aware of specific circumstances or facts which would give it reason to believe an account is uncollectible.

B. RECEIVABLES WHICH RELATE TO SUBSEQUENT YEAR REVENUES
Consistent with the generally accepted accounting principle of matching revenues with expenses of the same accounting period, no allowance will be recorded for accounts receivable related to subsequent year revenues. The most common example is the portion of summer session receivables attributable to unearned or deferred summer session revenue. Recording an allowance for receivables attributable to unearned or deferred revenue would result in bad debt expense being reported in the current year that relates to next year's revenue. An allowance should be recorded for the portion of receivables attributable to summer session revenue considered earned in the current fiscal year. For sales and services prior to June 30, which are not deferred, such as certain auxiliary activities, colleges may apply a portion of their overall default rate to accounts under 90 days old.

C. RESTRICTED FUND RECEIVABLES
No allowance will be reported for restricted fund receivables unless a college becomes aware of specific circumstances or facts which would give it reason to believe an account is uncollectible.

IV. ACCOUNTING ENTRIES

For payments received on accounts at CCS, write-offs, payments received on accounts written off, and bad debt expense.

A. Payments received on accounts at CCS should be recorded as a credit to accounts receivable.
   a. If the collection fee has not been charged to the student's account, the college's share should be recorded as a debit to cash; the CCS portion (i.e. 25%) as a debit to the allowance account. See example (a) below.
   b. If the collection fee has been charged to the student's account, the college's share should be recorded as a debit to cash, the CCS portion (i.e. 25%) as a debit to collection fees. See example (e) below.

B. Write-offs should be recorded as a reduction (credit) to accounts receivable and a corresponding reduction (debit) to the allowance for doubtful accounts. See example (b) below.

C. Payments received on accounts that have been previously written off should be recorded as a debit to cash and a credit to the allowance account. See example (c) below.

D. Bad debt expense is the year-end adjustment needed to make the balance in the allowance account equal the computed amount. This adjustment should not be made until all other entries to adjust the allowance have been posted. See example (d) below.

In practice, bad debt expense may be a negative amount (credit) during a year in which the default rate decreases and few write-offs occur.

EXAMPLES – ACCOUNTING ENTRIES

Suppose the beginning balance in the allowance account was $60,000. During the year the college received payments totaling $2,000 on accounts at Central Collections. Also during the year the college wrote off $10,000 of old accounts and received a $1,000 payment on an account previously written off. Assume the college accountant has determined the ending balance in the allowance account should be $79,000. CCS charges a 22% collection fee. The bad debt expense for the year is than 28,500. Computed as follow:

Account Description		Allowance Account	Other Accounts
Beginning balance – Allowance Acct		$(60,000)	
a) To record $2,000 payment received on accounts at CCS: (College keeps 75%)			
Dr. Claim on Cash	010-XXX-1100		1,500
Dr. Allowance for Bad Debts	010-XXX-1399	500	
Cr. A/R – Students	010-XXX-13XX		(2,000)
b) To record $10,000 write-off:			
Dr. Allowance for Bad Debts	010-XXX-1399	10,000	
Cr. A/R – Students	010-XXX-13XX		(10,000)
c) To record $1,000 payment on a student's account that was previously written off:			
Dr. Claim on Cash	010-XXX-55XX		1,000
Cr. Allowance for Bad Debits	010-XXX-1399	(1,000)	
*Unadjusted balance – Allowance account		(50,500)	

Account Description		Allowance Account	Other Accounts
d) To adjust allowance at year end and record bad debt expense:			
Dr. Bad Debt Expense	010-XXX-55XX		28,500
Cr. Allowance for Bad Debt	010-XXX-1399	(28,500)	
Adjusted balance, Allowance Account, See V. below		$(79,000)	

Given the same assumptions, if the collection fee has been added to the student's account receivable, the following entries would be appropriate:

Beginning balance – Allowance Acct		$(60,000)	
e) To record $2,000 payment received on accounts at CCS: (College has charged the $500 collection fee to the student's account)			
Dr. Claim on Cash	010-XXX-1100		2,000
Dr. Collection Fees	010-XXX-????		500
Cr. A/R – Students	010-XXX-13XX		(2,500)
f) To record $10,000 write-off: (College has charged the $2,500 collection fee to the student's account)			
Dr. Allowance for Bad Debts	010-XXX-1399	10,000	
Dr. Collection Fees	010-XXX-????		2,500
Cr. A/R – Students	010-XXX-13XX		(12,500)
g) To record $1,000 payment on a student's account that was previously written off:			
Dr. Claim on Cash	010-XXX-55XX		1,000
Cr. Allowance for Bad Debits	010-XXX-1399	(1,000)	
*Unadjusted balance – Allowance account		(51,000)	
h) To adjust allowance at year end And record bad debt expense:			
Dr. Bad Debt Expense	010-XXX-55XX		20,500
Cr. Allowance for Bad Debt	010-XXX-1399	(20,500)	
Adjusted balance, Allowance Account, See VI. below		$(71,500)	

V. EXAMPLE OF COMPUTATION, COLLECTION FEE INCLUDED IN ALLOWANCE:

A college had a total of $250,000 of student receivables as of 06/30/XX. Assume $90,000 of this was for the current summer term. Also, sponsored (3rd party) student receivables account for $60,000 of the receivables form prior terms. One of the college's sponsors, ABC Company, recently filed for bankruptcy and has informed the college that it will only be able to pay 50% of its debt. The sponsor currently owes the college $3,000, all from the spring term.

CCS's historical collection rate for the college is 30% according to the performance statistics reported in their most recent collection report as total to date collection percentage. The collection fee charged by CCS at June 30 was 22% of the amount collected.

a.	Total A/R at June 30, 20XX	$250,000
b.	Less: Current Summer (deferred revenue) A/R	(90,000)
c.	Less: Sponsored Accounts (60,000 – 3,000 ABC Co.)	(60,000)

	Subtotal – Base amount for allowance	$100,000
	CCS historical collection rate = 30%	
d.	CCS historical default rate (1 – 30)	x 70%
		-----------
f.	Estimated amount uncollectible	$ 70,000
g.	Plus estimated CCS collection fees (.25 x (.30 x 100,000))	7,500
h.	Plus sponsored accounts identified as uncollectible (ABC: 50% x $3,000)	$ 1,500
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i.	Total Allowance at June, 20XX	$ 79,000
		----------
j.	Net Accounts Receivable at 06/30/XX ($250,000 less $79,000)	$171,000

VI. EXAMPLE OF COMPUTATION, COLLECTION FEE NOT INCLUDED IN ALLOWANCE:

a.	Total Allowance at June, 20XX, before collection fees (same as f. above)	$ 70,000
b.	Plus sponsored accounts identified as uncollectible (ABC: same as h. above)	1,500
c.	Total Allowance at June, 20XX	$71,500

SAP-5 ACCOUNTS RECEIVABLE WRITE-OFF POLICY

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE:

PURPOSE: Establish an accounts receivable write-off policy that is consistently applied across the Colorado Community College and Occupational Education System in accordance with state fiscal rules.

PROCEDURE:

A. A college should not write off individual accounts until a reasonable period of time has elapsed and the Central Collection Services determines the debt to be uncollectible. Central Collection Services (CCS) will report monthly the status of all individual accounts referred to their agency. Uncollectible accounts are reported via the Recommendation for Write-off Report on a monthly basis. Other monthly reports from CCS. CCS will provide a list of these reports upon request.

B. Colleges must request approval to write off accounts from (CCS). For accounts of $50 or less only a notice need be sent to CCS. For accounts greater than $50.00 approval by CCS with the consent of the State Controller's Office and the State Treasurer is required. All requests must include the following information:

- The number of accounts to be written off.
- The total dollar amount to be written off.
- For each account, list the debtor, amount of the account, and a brief statement of why the agency believes it is uncollectible.
- A statement by the responsible individual in the agency that, in his or her opinion, the accounts are uncollectible.

C. Individual accounts should be written off the FRS and BRS at the same time. Prior to writing off an individual account, a detailed BRS record should be produced on hardcopy or other form for storage.

D. Refer to DOPA Administrative Rule titled Accounts Receivable Collections, section 1.61 for complete rules and directions.

SAP-6: ACCOUNTING FOR MULTI-YEAR OPERATING LEASES WITH SCHEDULED RENT INCREASES

DATE APPROVED BY CONTROLLERS' GROUP: October 6, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE: June 2002 - DELETED

SAP 7: VOIDED STATE WARRANTS

DATE APPROVED BY CONTROLLERS' GROUP: October 6, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE: June 2002 - DELETED

SAP-8: ACCOUNTING FOR CENTRALIZED FUNCTIONS

DATE APPROVED BY CONTROLLERS' GROUP: February 2, 2000

EFFECTIVE DATE: July 1, 1999
REVISED DATE: June 2002 - DELETED

SAP-9: ACCOUNTING FOR FIXED PRICE CONTRACTS

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE:

PURPOSE: Colleges frequently enter into contracts with outside parties whereby the college provides certain services in return for a stated amount of payment. Such contracts are generally referred to as fixed price contracts. This procedure discusses the accounting for such transactions.

DEFINITION OF FIXED PRICE CONTRACT: In a fixed price contract situation, the college is not required to use the monies paid to it for specific purposes designated by the contractor. The college is not required to account for the costs of the services provided. The college is not required to refund any excess of the contract amount over the cost of the services contracted for; it can make a profit on a fixed price contract. The only requirement imposed on the college is that it provide the services called for by the contract.

The format of fixed price contracts varies. The contract might be written for an indefinite amount, basing the payment on the number of students served or even the number of students who achieve certain goals. The identifying attribute of a fixed price contract is that the price is dependent upon the services provided by the college, rather than on the cost of those services.

PROCEDURE: Fixed price contracts should be accounted for as grant and contract revenue within the college's unrestricted funds; either the state appropriated fund or the auxiliary fund depending on the type of services provided. Fixed price contracts should <u>not</u> be reported in the restricted fund.

Depending on the type of outside party the college is contracting with, revenue from fixed price contracts should be classified as either federal, state, local or private grants and contracts. For example, revenue from fixed price contracts with local school districts should be classified as local grants and contracts within the state appropriated fund or the auxiliary fund. The reporting of fixed price contract revenue under the caption of "Grants and Contracts" in the unrestricted funds is consistent with the NACUBO definition of grants and contracts. According to NACUBO's <u>College and University Business Administration</u> text, Chapter 5:2, "government grants and contracts . . . includes all unrestricted amounts received or made available by grants, contracts, and cooperative agreements from government agencies for current operations . . . ." Again by definition, these contracts are not restricted funds.

SAP-10: INTERNAL CONTROLS OVER CASH RECEIPTS

DATE APPROVED BY CONTROLLERS' GROUP: February 2, 2000

EFFECTIVE DATE: July 1, 1999
REVISED DATE:

PURPOSE: Internal control over cash receipts is often a concern because of the inability to sometimes segregate the cash receiving and accounts receivable processes. Specific problem areas that many community colleges experience with the processes of cash receiving and accounts receivables are:

1. The same person who physically handles cash and in some cases makes the bank deposits also reconciles the bank account. This could result in a person being able to alter deposits then hide the discrepancies within the bank reconciliation.

2. Due to restrictions/limitations of the Billing Receivable System (BRS) software, cashiers who post cash receipts to individual students' sub-ledger accounts also have the capability to adjust individual student account balances. This could result in cashiers pocketing receipts and covering the theft by adjusting individual student accounts.

3. At most colleges, accounts receivable adjustments made by cashiers were not independently reviewed by a supervisor. Usually there was no periodic audit trail report to facilitate such a review.

PROCEDURE:

1. BANK RECONCILIATIONS:

The task of reconciling the bank account should be assigned to someone who does not physically handle cash or make the bank deposits.

The bank reconciliation process should include a step where the dollar amount of all receipts posted to the accounting system are agreed to a bank statement and to cash receipts (CR) documents.

2. CONFLICTING FUNCTIONS OF CASHIERING AND ACCOUNTS RECEIVABLE (A/R) POSTING

A. BRS DIRECT ENTRY APPROACH

Under this approach, cashiers post student payments directly to students' accounts. Students receive a receipt form produced by the BRS system at the time of payment.

An advantage of this approach for tuition/fees is the BRS receipt form, known as the pop-up bill; it has the student's course schedule on it. Since students want their schedules, it would be somewhat difficult for a cashier to pocket the cash received and not give the student a BRS receipt/course schedule.

There is one inherent minor internal control weakness in this approach, primarily due to the BRS software:

The BRS system was designed so that anyone with the capability to post payments may also adjust individual student accounts. There is no systematic way to prevent this without precluding cashiers from posting payments to BRS. The concern here is that cashiers with access to BRS might be able to divert cash to themselves and cover the theft through creative adjustments to students' accounts.

To mitigate this weakness, cashiers should not make adjustments to student accounts (non-cash transactions) without proper supporting documentation and approval. The documentation should be reviewed and approved by someone other than the cashier and should be attached to the entries. In addition, detailed lists of adjustments to student accounts should be periodically reviewed by appropriate accounting staff. The review procedure for A/R adjusting is described in section 3, below.

B. SEGREGATION OF CASHIERING AND A/R FUNCTION:

This approach was preferred by the auditors. Colleges would segregate totally the handling of cash from the posting to student accounts. Cashiers would have "inquiry only" access to BRS.

The segregation approach might provide minor control strengths over the BRS direct entry approach; however, either approach is acceptable under this accounting procedure.

3. INDEPENDENT REVIEW OF ADJUSTMENTS TO STUDENT ACCOUNTS

Improper adjustments to individual student accounts receivable can be detected and corrected through the periodic review of accounts receivable adjustments. Someone not directly involved in the handling of cash receipts should perform the review. Large or unusual adjustments to student accounts should be investigated, and the resolution documented. For purposes of efficiency, colleges may want to set dollar limits for review, so as to exclude small items or certain low-risk transaction codes.

It is critical that errors or irregularities involving cash receipts are detected and corrected. Therefore it is recommended that a list of A/R adjustments be reviewed periodically.

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SAP-11: PROCEDURE FOR FEDERAL CASH DRAWS

DATE APPROVED BY CONTROLLERS' GROUP: October 6, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE:

PURPOSE: This procedure is designed to provide guidance for the timely draw down of federal funds and to assist the colleges in avoiding a deficit or surplus of fund cash.

PROCEDURE: All institutions shall draw down federal cash, using the procedure and software suggested by the granting agency, via electronic fund transfer (EFT) or Fed Wire. Actual or estimated cash requirements shall be calculated based on documents such as:

1. Payroll listings
2. SBA 590
3. General ledger or sub ledger accounts
4. Accounts payable feeds
5. Journal entries
6. Mechanical entries
7. Funds received but not yet recorded

Documentation shall be maintained to support all amounts of cash requested. All of the regulations from the granting agency shall be followed with respect to cash balances, the timelines of expending the funds, and return policies if a positive balance is maintained for more than three (3) working days.

A federal cash analysis shall be prepared on a periodic basis to reconcile with the data in the granting agency system.

SAP-12: OVERHEAD FOR AUXILIARY FUND ACCOUNTS – Revision Draft 4/02

DATE APPROVED BY CONTROLLERS' GROUP: October 6, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE: July 1, 2001

PURPOSE: To provide guidance regarding consistent recovery of administrative costs from auxiliary operations, including activities designated as enterprises operations.

PROCEDURE: Auxiliary overhead, including rent charged to enterprises, is purely an internal allocation and no revenue may be generated by its application. Periodically the college should review the operations of its various auxiliary fund accounts to ensure that all direct costs of operation are charged to the auxiliary fund and reasonable allocation of administrative costs are assessed to each account.

As a minimum, each auxiliary account shall be assessed 6% of all direct operating expenditures. If the 6% minimum allocation does not sufficiently cover documented administrative overhead costs, the controller should document the methodology used to determine the amount of the assessment and charge the auxiliary account appropriately.

On an annual basis, the auxiliary activity, in total, must be charged a minimum amount equal to 6% of all direct operating expenditures, including cost of goods sold, to cover administrative overhead costs. The assessment should not be against rent (internal or external), compensated absence expense, bad debt expense, year-end inventory adjustments, or previous administrative overhead cost charges.

The charges to the auxiliary activity for administrative overhead (debit) should be offset by a credit to the fund and NACUBO category in which the supporting administrative costs originally incurred. Both the charge (debit) to the auxiliary activity and the credit to the supporting administrative activity should map to object of expenditure code 9500, Higher Education Cost Allocations, on COFRS. See the current COFRS accounting model.

The rental charge to enterprises (debit) should be offset by a credit to the fund and the Operating and Maintenance of Plant (OMP) reporting category. Rent should be assessed for the full fiscal year, in an amount determined by the business officers. With the exception of Continuing Education, the rental charge may be assessed to one component of the enterprise as long as that charge is reflective of the rental cost of the entire enterprise. The components of Continuing

Education must be charged rent separately. An hourly or per day rent should be charged for classroom space.

Both the rental charge (debit) to the auxiliary activity or Continuing Education and the credit to Operations and Maintenance of Plant should map to object of expenditure code 9500, Higher Education Cost Allocations, on COFRS. See the current COFRS accounting model.

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SAP-13	FINANCIAL STATEMENTS CHECKLIST

DATE APPROVED BY CONTROLLERS' GROUP: October 6, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE:

PURPOSE: To provide guidance for the campus controllers while preparing financial statements, notes and exhibits and to ensure consistency at the System level of reporting.

PROCEDURE: The following checklist is to be completed and submitted to CC of C and the auditors with the final financial packet.

SAP-14: COMPENSATED ABSENCES LIABILITIES – Revision Draft 4/02

DATE APPROVED BY CONTROLLERS' GROUP: February 2, 2000

EFFECTIVE DATE: July 1, 1999
REVISED DATE: July 1, 2001

PURPOSE: To establish a methodology to calculate the compensated absences liabilities at year-end. This SAP should be used in conjunction with the Fiscal Procedures Manual (closing instructions) issued by the State Controller's Office.

PROCEDURE:

1. Obtain an accumulated leave balance report for all employees from the Human Resources Department (closing instructions allow the usage of data from period 9, 10 or 11 for computation. Adjustment may be needed if the amount recorded is materially different from period 12).

2. Note that the calculation of compensated absences liabilities for exempt and classified staff differ as follows:
   a. Annual leave:
      Add PERA. For employee hired after 03/31/86, also add Medicare taxes.

   Exempt staff: maximum annual leave accrual for employee starting before 07/01/89 is 360 hours. Maximum leave accrual for employee starting on or after 07/01/89 is 180 hours (BP 3-60).

   Classified staff: the maximum leave accrual for classified staff depends on the length of services of the individual and the hours earned per month.

Years of services	Leave hours /month	Maximum accrual hours
1-5	8	192
6-10	10	240
11-15	12	288
16+	14	336

b. Sick leave:

Exempt staff (Board's policy): maximum sick leave accrual for employee starting before 07/01/89 is 25% of actual unused hours. Maximum sick leave accrual for employee starting on or after 07/01/89 is 25% of the actual accumulation or 240 hours, whichever is less (BP 3-60).

Classified staff: according to the State Personnel's policy, for employee who started before 07/01/88, the pay-out liability is equaled to 25% of accumulated sick leave hours before 07/01/88 (no accrual limit) plus 25% of sick leave hours earned after to that date (maximum accrual is 360hrs). For employee who started on or after 07/01/88, liability is limited to 25% of the accumulated sick leave hours (maximum accrual is 360 hrs).

Note: for the purpose of calculating estimated year-end sick leave liability for classified employees who started before 07/01/88, apply 25% to the accumulated balance without regard to the time frame and limit stated in the earlier paragraph. The intent is to keep the calculation simple since this is an estimated calculation of accrued liability.

3. Prepare a worksheet with the following minimum information: name of employee, date hired (very important), actual accrual hours not to exceed maximum allowed hourly paid (annual salary/2080 hrs). Calculate the annual leave liability, sick leave liability allowable per employee and for the whole agency. Multiply the total of the sick leave liability by the percentage for expected retirees from closing instructions (52% for FY99) to arrive at the actual amount of liability to be recorded in the book.

4. Compare total annual leave and sick leave liability with the amount recorded in the prior year. Prepare adjusting journal entries in accordance with the closing instructions to reflect the estimated liability for the current year.

FINANCIAL STATEMENT PRESENTATION:

Higher Education Accounting Standard No. 18 outlines the required methodology for estimating the current and non-current portion of the compensated absence liability for financial statement reporting purposes.

SAP-15: ANALYSIS OF YEAR END FLUCTUATIONS

DATE APPROVED BY CONTROLLERS' GROUP: June 16, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE:

PURPOSE: Reviewing year-to-year variances is an important part of financial statement preparation. Such a review is needed for several reasons:

1. It serves to highlight material transactions which may require footnote disclosure;
2. It helps the preparer to detect material errors which should be corrected before the statements are audited;
3. It helps the controller to anticipate potential questions or issues, and prepare answers to the variance analysis report that is sent out by the State Controller's Office at year-end.

PROCEDURE:

Colleges should prepare an analysis of year-to-year variances while preparing year-end financial statements. The analysis should be completed before the statements are submitted to the State Controller. (It is also recommended that such an analysis be done on an interim basis, such as semi-annually or quarterly.)

The format for the comparison is the basic financial statements. It is not necessary to compare each individual (COFRS or) FRS account although all accounts on the basic financial statements should be included in the analysis.

Only material variances need to be explained. Generally, material variances (requiring explanation) are those which meet both of the following criteria:

1. The variance is at least 10% of the prior year balance, and
2. The variance is more than $50,000

Individual colleges, however, may choose to establish a lower percentage or dollar amount for materiality.

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SAP-16: VALUATION OF LIBRARY MATERIALS – Revision Draft 6/03

DATE APPROVED BY CONTROLLERS' GROUP: December 1, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE: July 1, 2001
REVISED DATE: April 28, 2003

PURPOSE: State of Colorado Higher Education Accounting Standard No. 5, "Capital Asset Reporting," describes the accounting treatment for library books as follows:

> " "All library materials must be capitalized…There is no monetary threshold that must be met for library materials and collections to be capitalized."

The purpose of this accounting procedure is to expand on the above guidelines for the valuation of library books and to suggest a year-end test to determine the reasonableness of the total library materials reported on the Statement of Net Assets.

PROCEDURE:

A. Acquisitions

Purchases of library materials shall be capitalized in the Plant Fund at cost. Donated materials received shall be capitalized at fair market value or estimated fair market value at date of donation.

B. Depreciation

Depreciation of the Library Materials will be calculated on a 7-15 year life, using a mid-year convention on current year additions.

C. Disposals

Disposals (withdrawals) of library materials should be recorded at actual cost. However, if actual cost cannot be determined, the cost may be estimated as follows:

1. Average Cost.

If the number of deleted volumes is known, ~~a simply~~ one way to estimate the cost of disposals is to use the overall "average cost per volume." The average cost per volume can be computed by dividing the total capitalized value of library materials on the financial statements by the total number of volumes held.
The total number of volumes can be found on the IPEDS Report for Libraries, Part D, "Library Collections" (See example attached). Most libraries file this report annually. If the IPEDS report for the current year is not completed at the time of year-end closing, you may use the prior year's report.

2. Annual Index.

Another way to estimate the cost of disposals is to use the <u>North American Academic Book Index</u>. The index is published annually by R.R. Bowker & Co. and should be available in your college library. Estimated costs will be more accurate if the year of acquisition and the subject area of each lost, destroyed, or obsolete book is known. (See Table 3 attached.) If neither the year(s) of acquisition or subject area are known, you may use the average price/volume given by the index for all subjects, based on an estimated average year of acquisition.

3. Estimating Accumulated Depreciation on Disposals.

The first in/first out (FIFO) method (disposing of the oldest volumes first) is to be used for estimating the accumulated depreciation on disposals when the actual age and applicable values of the volumes are unknown.

D. <u>Test of Reasonableness</u>

While preparing the annual financial statements, college accountants may want to test the reasonableness of the recorded value of library materials. A few suggestions are:

1. Compare your institution's average cost per volume, for current year additions and for the collection as a whole to the average costs at peer institutions, such as the other system community colleges.

2. Compare the average cost per volume to the North American Academic Book Index mentioned above.

3. Compare the cost of the current year's library book additions and deletions to the previous year's additions and deletions.

E. Separate Entries

Entries for acquisitions, depreciation and disposals should be done separately by type (acquisition, depreciation, disposal) and not netted or combined in order to maintain a clear audit trail.

SAP-17: FIXED ASSET PHYSICAL INVENTORY

DATE APPROVED BY CONTROLLERS' GROUP: June 16, 1999

EFFECTIVE DATE: July 1, 1999
REVISED DATE:

PURPOSE: To establish guidelines concerning policies and procedures to be implemented at the college for fixed asset inventories.

PROCEDURE:

1. Each college shall have an established fixed asset capitalization policy in compliance with Colorado State Fiscal Rules and Colorado Higher Education Accounting Standards (and/or as required by external funding sources; e.g., the federal Carl Perkins Act).

2. Each college shall have an established equipment identification system; e.g., the attachment of an assigned unique identification tag on the equipment or scribing or permanently marking or bar coding the equipment with the college name (or State of Colorado) and assigned tag (ID) number on the equipment

   The equipment listed in the system will have as a minimum the following components:

   Tag number
   Description of item
   Equipment serial number(s) and model number(s) if applicable
   Department name or identifying code
   Location
   Acquisition cost (or fair market value at date of gift)
   Date acquired
   Voucher number and/or Purchase Order number
   Account number (or other identifying source of funding)

   The system shall include a method of determining current fixed assets on hand, acquisitions, dispositions, transfers between departments, etc.

3. Each college shall conduct an annual physical count of fixed assets. The physical inventory need not be conducted college-wide at the same time, but, to ease workload, may be spread out over the fiscal year by departments, buildings, etc.

SAP-18: PAYMENTS TO STUDENT GOVERNMENT OFFICERS

DATE APPROVED BY CONTROLLERS' GROUP: March 10, 2000

EFFECTIVE DATE: January 1, 2000
REVISED DATE:

PURPOSE: To provide guidance on payments to student government officers

PROCEDURE: Colleges sometimes pay student government officers for serving in their positions. Some of these payments were reported on the student's W-2 as reportable salary or stipend; others were reported on 1099's as non-employees. The determination of whether to pay the officers is a college decision. This procedure provides guidance on how the payments, if made, should be handled.

The officers fall into the "employee" category because of several factors:

1. Job duties determined by college through student government
2. Officer has continuing relationship with the college
3. Paid by hour, week or month rather than a lump sum payment for a "job"
4. State has third party liability for the acts of the officer (Fiscal Rule 3-1, page 8)

Based on the above information, the officer should be paid through payroll. Documentation as to the job duties, amount and frequency of payment(s) and other reporting requirements should be established before the work starts.

The officers are students so they would fall under the payroll guidelines for students.

This policy is effective for all payments made after January 1, 2000.

SAP 19: CALCULATION OF SUMMER ACCRUAL/DEFERRAL PERCENTAGE

DATE APPROVED BY CONTROLLERS' GROUP: April 16, 2003

EFFECTIVE DATE: April 16, 2003
REVISED DATE:

PURPOSE:

The purpose of this procedure is to specify the process for calculating the percentage of Summer Revenues and Direct Instructional Costs to be recorded in each Fiscal Year. Summer Tuition and Board approved Fee Revenues (But not Registration Fees), and Faculty Teaching Expenses are to have this percentage applied to them in determining year end accruals/deferrals.

PROCEDURE:

Primary Procedure:

Each college will begin with its Instructional Calendar and select its primary term. Primary term is defined as follows: Course Schedule start date and end date (use the first day of the standard summer session). From that it will determine two amounts:

Numerator: The number of CALENDAR days between (and including) the first day of classes and June 30.

Denominator: The number of CALENDAR days between (and including) the first day of classes and the last day of classes.

Using those numbers, divide the numerator by the denominator, and round the result to the nearest whole percentage point.

This is the percentage of Summer Term revenues and Direct Instructional expenditures that will be recorded in the "old" fiscal year (before June 30).

Example: If classes begin on June 2 and end on August 9, the Numerator would be 29, the denominator would be 69, and the percentage would be 42%. The college would then record 42% of its known Summer Term Revenues and Expenditures as of June 30.

Additional Alternate Procedure:

If a college has material activity in its Continuing Education Auxiliary, and if that activity has a formal term beginning and ending dates, the college it may use the same calculation enumerated above to calculate the percentage of its Continuing Education activity to be recorded in the "old" year.

Example: If the Con Ed classes begin on June 2 and end on July 26, the numerator would be 29, the denominator would be 55, and the percentage would be 53%.

SAP-20: CALCULATION OF "INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

DATE APPROVED BY CONTROLLERS' GROUP: May 6, 2003

EFFECTIVE DATE: May 6, 2003
REVISED DATE:

PURPOSE:

The purpose of this procedure is to define the components of the line on the Statement of Net Assets, Net Assets section, entitled "Invested in capital assets, net of related debt". Also, to specify that this line should appear on the FBM070 (W-7) computerized SNA financial statement throughout the year. Given the activity at the entity, the amount shown on the SNA may or may not be equal to the ending balance of the prior year. And, given the amount of retainage, the amount shown on the SNA may or may not be equal to Capital assets net of Bonds or Leases payable.

PROCEDURE:

Definition: It is agreed that this item should consist of:

a) "Capital assets, net" less
b) "Bonds payable, current portion" and less
c) "Capital leases payable, current portion" and less
d) Non-current liabilities of "Bonds payable and "Capital lease payable" and less
e) Any retainage related to the capital assets.

Accrued interest on bonds or other debt related to a capital asset should NOT be used in the computation of "Invested in capital assets, net of related debt" for the equity section of the SNA. The debit portion of the accrued interest entry is an "expense", not an addition to the asset value and therefore, is not considered as "debt" related to the Capital Asset (an asset addition).

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SAP-21: RECORDING OF UPCOMING FALL SEMESTER TUITION AND FEES AT JUNE 30TH

DATE APPROVED BY CONTROLLER'S GROUP: May 6, 2003

EFFECTIVE DATE: June 30, 2003

PURPOSE:

The purpose of this procedure is to achieve consistent reporting of upcoming fall semester tuition and fee activity at fiscal year-end, and to ensure that assets and liabilities are not overstated on colleges' year-end financial statements. Colleges who do not begin charging (turn on their rate table) for fall semester tuition and fees prior to June 30th may ignore this procedure. However, colleges who generate tuition and fee activity for the upcoming fall semester prior to June 30^{th,} should follow this procedure, regardless of the materiality or immateriality of the dollar amount of such activity.

PROCEDURE:

1. At June 30th each year, all payments received for tuition and fees related to the upcoming fall semester shall be reported as Deposits Held in Custody on the college's Financial Statements. The entry to record this year-end adjustment as of June 30th is a debit to the respective revenue accounts and a credit to Deposits Held in Custody. This entry would need to be reversed in the new fiscal year.

2. At June 30th each year, any student accounts receivable balances related to the upcoming fall semester should be removed from both the accounts receivable and the respective revenue accounts. The entry to record this year-end adjustment as of June 30th is a debit to the respective revenue accounts and a credit to Accounts Receivable. This adjusting entry would need to be reversed in the new fiscal year. To determine the dollar amount of accounts receivable related to the subsequent fall semester, colleges will need to use a report of student accounts receivable balances sorted by semester, or other reasonable supporting documentation, as available.

SAP-22: FOOTNOTE DISCLOSURE FOR THE SOURCES OF THE SCHOLARSHIP ALLOWANCE

DATE APPROVED BY CONTROLLER'S GROUP: May 13, 2003
EFFECTIVE DATE: June 30, 2003

PURPOSE:
The purpose of this procedure is to achieve consistency in reporting and disclosing the sources of Scholarship Allowance funds. Tuition, fees and other revenue is reported net of the Scholarship Allowances on the face of the SRECNA. To provide additional details of the Scholarship Allowance, Colorado institutions of higher education have elected to disclose the major funding sources of the allowances in a footnote to the financial statements. The following note format has been accepted by the Colorado Higher Education Accounting Standards Committee (CHEASC) – See GASB 34/35 Issue Paper #4 for use by all State institutions of higher education effective June 30, 2002.

PROCEDURE:
Note XX: Tuition, Fees, and Auxiliary Revenue

The _________(Name of College)______receives revenue from several sources that is restricted for student scholarships and financial aid. In addition, ___________________ allocates unrestricted revenue for student financial aid. To the extent that these resources are used to pay student charges, the _____________________ records a scholarship allowance against tuition, fees and auxiliary revenue.

Tuition, fee and auxiliary revenue and the related scholarship allowance for the year ended June 30, 20XX were as follows:

	Tuition and Fees	Auxiliary Revenue	Total
Gross Revenue	$x,xxx,xxx	$x,xxx,xxx	$x,xxx,xxx
Scholarship Allowances:			
Federal	(x,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)
State	(x,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)
Private	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Institutional	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Total Allowances	$x,xxx,xxx	$x,xxx,xxx	$x,xxx,xxx
Net Revenue	$x,xxx,xxx	$x,xxx,xxx	$x,xxx,xxx

SAP-23: RESTRICTED NET ASSETS

DATE APPROVED BY CONTROLLERS' GROUP: May 13, 2003

EFFECTIVE DATE:
REVISED DATE:

PURPOSE: Statement No. 34 of the Governmental Accounting Standards Board requires that "Net assets should be displayed in three components --- invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted. Statement No. 34 defines the category of restricted net assets as follows:

> "Net assets should be reported as restricted when constraints placed on net asset use are either:
>
> a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments
> b. Imposed by law through constitutional provisions or enabling legislation.
>
> Enabling legislation, as the term is used in this Statement, authorized the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation."

The purpose of this accounting procedure is to expand on the above guidelines for determination of restricted net assets.

PROCEDURE:

1. As a general rule, the following treatment will apply to common activities at each college:

   <u>Unspent Grant Dollars</u> - Grant revenues should only be recorded when the revenue has been "earned", which in most cases is when the expenditures have been incurred. Therefore, any grant dollars received in advance of the incurrence of expenditures should be recorded as Deferred Revenue at year-end. There will be no Net Assets associated with this type of grant.

   <u>Private Grants/Donations</u> - Private grants that pay funds in advance are sometimes very similar to a donation.

Deferred Revenue

If the college has to spend the money in order to earn the grant, it should be considered Deferred Revenue until the point when the grant is earned.

Unrestricted Net Assets

If the donation is made in general, or without restrictions on use, the unspent funds should be recorded as Unrestricted Net Assets.

Example: A donation given to the college for the purpose of buying non-capital equipment – considered as a donation and would be Unrestricted Net Assets until funds are spent.

Example: A donation given to the college to be used for the general use of the Adult Basic Education Department – considered as a donation and would be Unrestricted Net Assets until funds are spent.

Treatment of Revenue

Donations/Gifts as described above, which have no time, cost reimbursement, or other eligibility requirements, should be recognized as COFRS RSC 6600 – “Donations-Private-Unrestricted”, and reported as Non-Operating Income.

Restricted Net Assets

If the donor restricted the use of funds given, the unspent funds should be recorded as Restricted Net Assets.

Example: If a donation is given to the college and the donor states that the money is for scholarships, the unspent funds should be recorded as Restricted Net Assets.

Example: Perkins student loan money should be recorded as Restricted Net Assets.

Example: Unspent bond proceeds restricted by covenant should be recorded as Restricted Net Assets.

Treatment of Revenue

Donations/Gifts as described above, which have been restricted by an external party, should be recognized as COFRS RSC 6600 – “Donations-Private-Restricted”, but should be reported as Non-Operating Income by use of a Presentation Entry on Exhibit J. (Higher Ed does not recognize any Gifts as Operating.)

Larger private grants (over $100,000) will be discussed on a case-by-case basis.

2. Restricted Net Assets need to be identified on the Statement of Net Assets by the purpose of the restriction. CCCS has identified the following common categories to be used for the Statement of Net Assets:

Restricted for Scholarships/Fellowships
Restricted for Loans
Restricted for Capital Projects (Bond Proceeds)
Restricted for Employee Benefit Trust (System Office Only)
Restricted for Other

A general rule to be followed is that a Restricted Net Asset balance of >5% of Net Assets should be separately disclosed (which may necessitate creating a new financial statement line if the existing ones are not appropriate). Items, which do not fit into the existing common categories and are less than 5% of Net Assets may be aggregated as Restricted for Other.

3. Colorado Higher Education Institutions' COFRS Fiscal Year Entries – "YE2 Restricted Expendable/Nonexpendable Net Assets" – should be used as guidance for year-end entries to reclass Restricted Expendable/Nonexpendable Net Assets from the Unreserved/Undesignated Fund Balance Code used in the operating funds.