



BOISE STATE UNIVERSITY

University Policy 6210

Accounting Policy

Effective Date

April 2006

Responsible Party

Chief Financial and Operating Officer and Vice President for Finance and Operations,
VPCFO@boisestate.edu

Scope and Audience

This policy applies to all University accounting policies and practices.

Additional Authority

- Governmental Accounting Standards Board “GASB”
 - Generally Accepted Accounting Principles “GAAP”
 - Section 115(1) of the Internal Revenue Code
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1. Policy Purpose

To provide an overview of the significant accounting policies and practices at Boise State University.

2. Policy Statement

Boise State University is part of the public system of higher education in the State of Idaho. The system is considered part of the State of Idaho reporting entity and is directed by the State Board of Education, a body that is appointed by the Governor and confirmed by the legislature. Boise State prepares annual financial statements in accordance with pronouncements of the Governmental Accounting Standards Board (“GASB”) and in accordance with Generally

Accepted Accounting Principles (“GAAP”) that are audited by independent auditors. These audited financial statements assist the State Board of Education in their financial stewardship of the University system and also satisfy requirements of various entities that need to understand the University’s financial condition.

The University will implement future GASB pronouncements, adhering to implementation deadlines, as they are issued and applicable.

3. Definitions

Common terminology in budgeting and accounting at Boise State University includes “appropriated,” “local,” and “restricted or grant” funds.

Generally, State of Idaho regulations that are applicable to Appropriated Funds are equally applicable to Local Funds. Some limited exceptions exist under State Board of Education policy for entertainment expenses at official University functions. See University Policy 6130 (Purchasing) for allowable uses of Boise State funds.

Appropriated funds and Local Funds may not be commingled; therefore, transfers between appropriated and Local Funds departmental accounts are prohibited.

3.1 Appropriated Funds

Amounts provided or “appropriated” to the colleges and universities by the Idaho state legislature. Appropriated fund expenditures represent a claim on authorized budget and are reimbursed after the State receives documentation of authorized expenditures from the Accounts Payable Department.

3.2 Local Funds

Cash deposits in the form of student fees, auxiliary revenues, and other miscellaneous revenues that have been deposited to Boise State University general bank account. A local fund reserve represents a claim on cash, as it results from an excess of deposits over expenditures from prior years’ operations.

3.3 Restricted Funds or Grant Funds

Local Funds that are restricted to specific uses by a third party.

4. Accounting Standards

4.1 Financial Statement Presentation

Boise State's financial statements are prepared according to pronouncements of the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and in November 1999, Statement 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. These statements establish financial reporting requirements for state and local governments and public colleges and universities throughout the United States, and were implemented by the State and Idaho public colleges and Universities for the fiscal year ended June 30, 2002.

4.2 Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged in only business-type activities. Accordingly, Boise State prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. For financial statement presentation, all significant intra-agency transactions are eliminated.

4.3 Cash and Cash Equivalents

The University considers all liquid investments with a remaining maturity of three (3) months or less at the date of acquisition to be cash equivalents. Cash balances that are restricted and not expected to be expended within the subsequent year are classified as noncurrent assets.

4.4 Student Loans Receivables

Loans receivable from students bear various interest rates and are generally repayable in installments to the University over a 5 to 10-year period commencing 6 or 9 months after the date of separation from the University. Collections on these student loans are primarily handled through a third-party servicer.

4.5 Accounts Receivable

Accounts receivable consists of fees charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Idaho. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures

made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

4.6 Allowance for Bad Debts

An allowance is calculated for the estimated uncollectible balance on accounts receivable. This calculation is based on an aging of accounts, historical experience, and is determined on a quarterly basis. Uncollectible debt on accounts receivable related to student tuition and fees is shown in the accounts as a reduction of revenue.

4.7 Inventories

Inventories, consisting primarily of bookstore inventories, are valued at the lower of first-in, first-out ("FIFO") cost or market.

4.8 Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosure, an amendment of GASB Statement No. 3 beginning in fiscal year 2005. The objective of this statement is to update the custodial credit risk disclosure requirements of GASB Statement No. 3 and to establish a more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. Changes in unrealized gains or losses on the carrying value of investments are reported as a component of change in fair value of investments in the statement of revenues, expenses, and changes in net assets.

4.9 Noncurrent Investments

Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the statement of net assets.

4.10 Capital Assets and Capitalization Methodology

- a. Capital assets are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of the gift. The University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

- b. The University has certain collections that it does not capitalize. These collections adhere to the University's policy to
- Maintain them for public exhibition, education, or research
 - Protect, keep unencumbered, care for, and preserve them; and
 - Require proceeds from their sale to be used to acquire other collection items.

4.11 Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40-50 years for buildings, 20-25 years for land improvements, 10 years for library books, and 5 to 13 years for equipment.

4.12 Accrued Leave Liability

Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes.

4.13 Deferred Revenues

Deferred revenues are reported in the financial statements. Deferred revenues include amounts received for fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period and the portion of summer school revenues related to the number of days of instruction in the subsequent fiscal year.

4.14 Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, capital lease obligations with contractual maturities greater than one year, and estimated amounts for accrued leave liability and other liabilities that will not be paid within the next fiscal year.

4.15 Net Assets

In its financial statement presentation, the University's net assets are classified as follows:

4.15.1 Invested in Capital Assets, Net of Related Debt

This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet

expended for capital assets, such amounts are not included as component of invested in capital assets, net of related debt.

4.15.2 Restricted Expendable

Restricted expendable net assets include resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

4.15.3 Restricted Nonexpendable

Restricted nonexpendable net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

4.15.4 Unrestricted

- a. Unrestricted net assets represent resources derived from student fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to the educational and general operations of the University and may be used to meet current expenses for any lawful purpose, and in accordance with Board policy.
- b. When an expense is incurred that can be paid using either restricted or unrestricted resources, expense allocation decisions are made on a program-by-program basis.

4.16 Income Taxes

The University, as a political subdivision of the State of Idaho, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The University is liable for tax on its unrelated business income. Defined by GAAP, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose or function except that the organization needs the profits derived from this activity.

4.17 Classification of Revenues

For financial statement reporting purposes, the University classifies its revenues as either operating or nonoperating according to the following criteria:

4.17.1 Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as:

- Student fees, net of scholarship discounts and allowances,
- Sales and services of auxiliary enterprises,
- Most federal, state and local grants and contracts, and federal appropriations, and
- Interest on institutional student loans.

4.17.2 Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, such as state general appropriations and investment income.

4.17.3 Student Fee Revenues

Student fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or other third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy student fees and related charges, the University has recorded a scholarship discount or allowance.

4.18 Affiliated Parties

- a. Several fiscally independent organizations are affiliated with Boise State University.
- b. The Boise State University Foundation, Inc. (the "Foundation") was established for the purpose of soliciting donations and to hold and manage invested donations for the exclusive benefit of the University.

- c. The Bronco Athletic Association (the “BAA”) is a fund-raising organization that provides financial assistance and services to the University intercollegiate athletic department. Contributions received by the University from the BAA are recorded as gifts.
- d. The Boise State University Alumni Association (the “Association”) was established to develop and maintain a positive relationship with alumni and friends of the University and to provide the leadership to guide these relationships to benefit the University.
- e. The University does not exercise control over the Boards or the resources of these related organizations. They are presented in a discrete column in the financial statements according to GASB Statement No. 39 Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement 14, which is effective for periods beginning after June 15, 2003. A legally separate tax-exempt organization is reported as a component unit of a reporting entity if ALL of the following criteria are met:
 - The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
 - The primary government or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
 - The economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to that primary government. (For Boise State’s purposes, this significance test has been set at 5% of net assets.)

5. Related Information

University Policy 6130 (Purchasing)

Last Review Date

August 19, 2021