

**AUDIT COMMITTEE  
DECEMBER 19, 2013**

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<b>TAB</b>	<b>DESCRIPTION</b>	<b>ACTION</b>
1	FY 2013 FINANCIAL STATEMENTS REVIEW	Motion to approve
2	FY 2013 COLLEGE AND UNIVERSITIES' NET POSITION BALANCES	Information item
3	FY 2013 COLLEGE and UNIVERSITIES' FINANCIAL RATIOS	Information item

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**AUDIT COMMITTEE  
DECEMBER 19, 2013**

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**SUBJECT**

FY 2013 College and Universities' Net Position Balances

**REFERENCE**

December

Annual report submitted to the Board

**BACKGROUND/DISCUSSION**

The volatility of state funding as well as fluctuations in enrollment and tuition revenue necessitates the need for institutions to maintain fund balances sufficient to stabilize their operating budgets. Best practices for responsible fiscal policy suggest that institutions maintain an unrestricted fund balance at a level that: (1) represents 5 to 15 percent of operating expenses; or (2) is sufficient to fund no less than one to two months of operating expenditures.<sup>1</sup>

As such, the Board has set a minimum target reserve of 5% of operating expenditures as a benchmark in its [Strategic Plan](#) (Goal 3, Objective A).

The net position balances are shown in the Attachments as of June 30, 2013. The net position is broken down as follows:

**Invested in capital assets, net of related debt:** This represents an institution's total investment in capital assets, net of accumulated depreciation and 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.

**Restricted, expendable:** This represents resources which an institution is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

**Restricted, nonexpendable:** This represents 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.

**Unrestricted:** This represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Not all source of revenues noted above are necessarily present in the unrestricted balance.

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<sup>1</sup> Government Finance Officers Association (2009). *Best Practice: Appropriate Level of Unrestricted Fund Balance in the General Fund*. Retrieved from [http://www.gfoa.org/index.php?option=com\\_content&task=view&id=120&Itemid=134](http://www.gfoa.org/index.php?option=com_content&task=view&id=120&Itemid=134)

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Within the category of **Unrestricted Net Position**, the institutions reserve funds for the following:

**Obligated:** Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which contractual commitments exist.

**Designated:** Designated net position represents balances not yet legally contracted but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative cost recovery returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

*Note: Designated reserves are not yet legally contracted, so technically they are still subject to management decision or reprioritization. However, it's critical to understand that these net position balances are a snapshot in time as of June 30, 2013, so reserves shown as "designated" on this report could be "obligated" at any point in the current fiscal year.*

**Unrestricted Funds Available:** Balance represents reserves available to bridge uneven cash flows as well as future potential funding shortfalls such as:

- Budget reductions or holdbacks
- Enrollment fluctuations
- Unfunded enrollment workload adjustment (EWA)
- Unfunded occupancy costs
- Critical infrastructure failures

**IMPACT**

The institutions' unrestricted available balances as a percent of operating expenses are as follows:

	FY 2012	FY 2013
BSU:	3.5%	5.0%
ISU:	7.3%	11.7%
UI:	2.6%	2.7%
LCSC:	3.8%	5.1%

**ATTACHMENTS**

BSU Net Position Balances	Page 5
ISU Net Position Balances	Page 7
UI Net Position Balances	Page 9
LCSC Net Position Balances	Page 11

**STAFF COMMENTS AND RECOMMENDATIONS**

The institutions will present a brief analysis of their respective unrestricted net position.

**BOARD ACTION**

This item is for informational purposes only. Any action will be at the Board's discretion.

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# Boise State University

## Net Position Balances

As of June 30, 2013

Information Taken from Workpapers Relating to Audited Financial Statements

1	<b>Net Position:</b>	<b>Boise State</b>
2	Invested in capital assets, net of related debt	268,939,391
3	Restricted, expendable	14,553,946
4	Restricted, nonexpendable	0
5	Unrestricted	101,641,284
6	<b>Total Net Position</b>	<b>\$385,134,621</b>
7		
8	<b>Unrestricted Net Position:</b>	<b>\$101,641,284</b>
9	Obligated (Note A)	
10	Debt Reserves	18,439,678
11	Capital Projects	
12	Facilities	20,718,867
13	Equipment	3,914,815
14	Program Commitments	
15	Academic	3,508,789
16	Research	3,005,091
17	Other	4,006,819
18	Administrative Initiatives	2,221,606
19	Total Obligated	55,815,665
20	Designated (Note B)	
21	Capital Projects	
22	Facilities	9,800,000
23	FFE	3,760,990
24	Program Commitments	
25	Academic	6,769,183
26	Research	6,412,637
27	Other	1,228,075
28	Administrative Initiatives	349,045
29	Other	1,491,100
30	Total Designated	29,811,031
31		
32	<b>Unrestricted Funds Available (Note C)</b>	<b>\$16,014,589</b>
33		
34	Operating expenses	319,371,835
35	Ratio of Unrestricted Funds Available to operating expenses	5.0%
36	5% of operating expenses (minimum reserve target)	15,968,592
37		
38	Two months of operating expenses	53,228,639
39	Ratio of Unrestricted Funds Available to two months of operating expenses	30%
40	Number of days expenses covered by Unrestricted Funds Available	18.30

**Note A:**                   **Obligated** - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service and staffing commitments for outstanding debt and personnel. These amounts also consist of inventories and other balances for which a contractual commitments exist.

**Note B:**                   **Designated** - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

**Note C:**                   **Unrestricted Funds Available** - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:  
Federal grant reductions related to shut-down, debt ceiling  
Unfunded Enrollment Workload Adjustment (EWA)  
Enrollment fluctuations

# Idaho State University

## Net Position Balances

As of June 30, 2013

Information Taken from Workpapers Relating to Audited Financial Statements

1	<b>Net Position:</b>	<b>FY13</b>
2	Invested in capital assets, net of related debt	\$124,561,381
3	Restricted, expendable	\$4,581,880
4	Restricted, nonexpendable	
5	Unrestricted	\$84,105,550
6	Total Net Position	<u>\$213,248,811</u>
7		
8	<b>Unrestricted Net Position:</b>	<b>84,105,550</b>
9	Obligated (Note A)	
10	Debt Reserves	10,576,572
11	Capital Projects	
12	Facilities	-
13	Equipment	5,391,294
14	Program Commitments	
15	Academic	9,605,061
16	Research	56,007
17	Other	
18	Administrative Initiatives	
19	Other	3,287,432
20		-
21	Total Obligated	<u>28,916,367</u>
22		
23	Designated (Note B)	
24	Capital Projects	
25	Facilities	4,971,571
26	Equipment	
27	Program Commitments	
28	Academic	9,247,718
29	Research	2,313,488
30	Other	9,552,663
31	Administrative Initiatives	
32	Other	3,000,000
33		-
34	Total Designated	<u>29,085,440</u>
35		
36	<b>Unrestricted Available (Note C)</b>	<b><u>\$26,103,744</u></b>
37		
38	Operating expenses	223,289,422
39	Ratio of Unrestricted Funds Available to operating expenses	11.7%
40	5% of operating expenses (minimum available reserve target)	11,164,471
41		
42	Two months operating expenses	37,214,904
43	Ratio of Unrestricted Funds Available to two months of operating expenses	70%
44	Number of days expenses covered by Unrestricted Funds Available	42.67

**Note A:** Obligated - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which a contractual commitments exist.

**Note B:** Designated - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

**Note C:** Unrestricted Funds Available - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding.

**Idaho College and Universities  
Net Position Balances**

As of June 30, 2013

Information Taken from Workpapers Relating to Audited Financial Statements

1	<b>Net Assets:</b>	<b>University of Idaho</b>
2	Invested in capital assets, net of related debt	\$ 243,070,923
3	Restricted, nonexpendable	-
4	Restricted, expendable	28,851,315
5	Unrestricted	57,110,973
6	Total Net Assets	<u>\$ 329,033,211</u>
7	<b>Unrestricted Net Assets:</b>	<b><u>\$ 57,110,973</u></b>
8	<b>Obligated (Note A)</b>	
	- Debt Service and Real Estate Lease Obligations	\$ 16,162,350
	- Capital Project and Equipment Funds	12,395,809
	- Legacy Crossing Purchase	<u>1,850,000</u>
	<b>Total Obligated Funds</b>	<b><u>\$ 30,408,159</u></b>
9	<b>Designated (Note B)</b>	
	Academic Funds:	
	- Dedicated Course Fees	\$ 217,996
	- Research Funds	131,507
	- Faculty Start-up Funds	151,609
	- Support Funds	<u>680,500</u>
	Total Academic Funds	\$ 1,181,613
	Agricultural Extension Funds:	
	- Agricultural Extension Education Funds	\$ 146,249
	- Agricultural Extension Research Funds	223,020
	- Agricultural Extension Support Funds	<u>331,718</u>
	Total Agricultural Extension Funds	700,988
	Student Funds:	
	- Student Services Funds	\$ 183,902
	- Student Scholarship Funds	<u>29,282</u>
	Total Student Funds	213,184
	Faculty Start-up & Research Support Funds (from F&A)	1,873,016
	Anticipated University Capital Projects (Completion Costs for President's Residence Project)	400,000
	Service Center	268,839
	Benefits & Self-Insured Health Plan	3,729,852
	Auxiliary Services Funds	8,431,890
	Facility/Departmental Repair and Replacement Funds	<u>87,328</u>
	<b>Total Designated Funds</b>	<b><u>\$ 16,886,709</u></b>
10	<b>Unrestricted Available (Note C)</b>	<b><u>\$ 9,816,104</u></b>

11	Operating expenses	\$368,809,200
12	Ratio of Unrestricted Funds Available to operating expenses	2.7%
13	5% of operating expenses (minimum available reserve target)	\$18,440,460
14	Two months operating expenses	\$61,468,200
15	Ratio of Unrestricted Funds Available to two months of operating expenses	16%
16	Number of days expenses covered by Unrestricted Funds Available	10

**NOTES**

**Note A: Obligated** - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which a contractual commitments exist.

**Note B: Designated** - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

**Note C: Unrestricted Funds Available** - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:

- Budget reductions or holdbacks
- Enrollment fluctuations
- Unfunded Enrollment Workload Adjustment (EWA)
- Loss of ARRA funding

# Lewis-Clark State College

## Net Position Balances

As of June 30, 2013

Information Taken from Workpapers Relating to Audited Financial Statements

	<b>LCSC</b>
1 <b>Net Position:</b>	
2 Invested in capital assets, net of related debt	\$44,002,266
3 Restricted, expendable	1,001,909
4 Restricted, nonexpendable	0
5 Unrestricted	26,099,649
6 <b>Total Net Position</b>	<u><u>\$71,103,824</u></u>
7	
8 <b>Unrestricted Net Position:</b>	<b>\$26,099,649</b>
9 Obligated (Note A)	
10       Debt Reserves	3,575,221
11       Other	317,539
12	
13       Total Obligated	<u>3,892,760</u>
14	
15 Designated (Note B)	
16       Capital Projects	
17           Facilities	5,415,588
18           Equipment	4,030,914
19       Program Commitments	
20           Academic	4,834,423
21           Other	4,910,041
22       Other	540,977
23	
24       Total Designated	<u>19,731,943</u>
25	
26 <b>Unrestricted Available (Note C)</b>	<u><u>\$2,474,946</u></u>
27	
28 Operating expenses	48,102,713
29 Ratio of Unrestricted Funds Available to operating expenses	5.1%
30 5% of operating expenses (minimum available reserve target)	2,405,136
31	
32 Two months operating expenses	8,017,119
33 Ratio of Unrestricted Funds Available to two months of operating expenses	31%
34 Number of days expenses covered by Unrestricted Funds Available	19

**Note A: Obligated** - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which a contractual commitments exist.

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**Note C: Unrestricted Funds Available** - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:

Enrollment fluctuations  
Budget reductions or holdbacks

**AUDIT  
DECEMBER 19, 2013**

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**SUBJECT**

FY 2013 College and Universities' Financial Ratios

**REFERENCE**

December

Annual report submitted to the Board

**BACKGROUND/DISCUSSION**

The ratios presented measure the financial health of the institution and include the composite index comprised of four ratios. The ratios are designed as a management tool to measure financial activity and trends within an institution. They do not lend themselves to comparative analysis between institutions because of the varying missions and current initiatives taking place at a given institution. An important caveat is that affiliated entities (e.g. foundations) are reported as component units in the college and universities' financial statements. Foundation assets in particular may have a material effect on an institution's ratios even though foundation assets are not liquid for purposes of institutional operating expenses. As such, the institutions' respective ratios may be artificially inflated by foundation assets. That said, these ratio benchmarks are the industry standard, and no benchmarks have been developed which exclude affiliated entity assets.

Ratio	Measure	Benchmark
Primary reserve	Sufficiency of resources and their flexibility; good measure for net assets	.40
Viability	Capacity to repay total debt through reserves	1.25
Return on net assets	Whether the institution is better off financially this year than last	6.00%
Net operating revenues	Whether institution is living within available resources	2.00%
Composite Index	Combines four ratios using weighting	3.0

**IMPACT**

The ratios and analyses are provided in order for the Board to review the financial health and relative efficiency of each institution.

**ATTACHMENTS**

Boise State University	Page 3
Idaho State University	Page 4
University of Idaho	Page 5
Lewis-Clark State College	Page 6

**STAFF COMMENTS AND RECOMMENDATIONS**

The institutions will present a brief analysis of the financial ratios and be available for questions by the Board.

**AUDIT**  
**DECEMBER 19, 2013**

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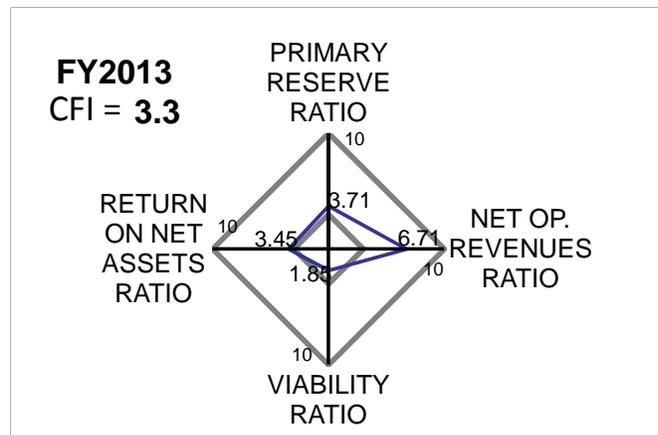
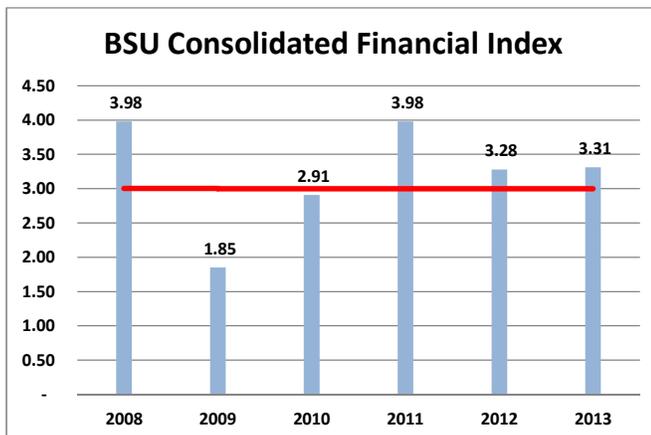
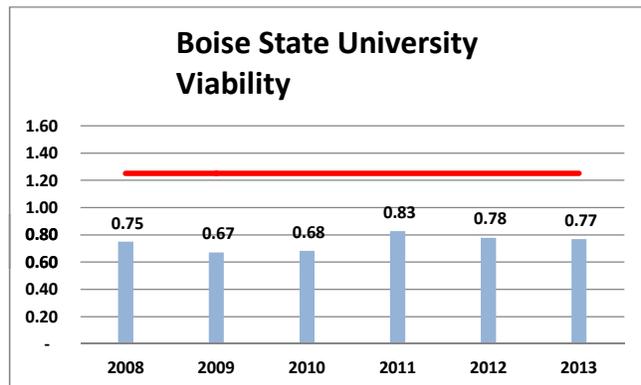
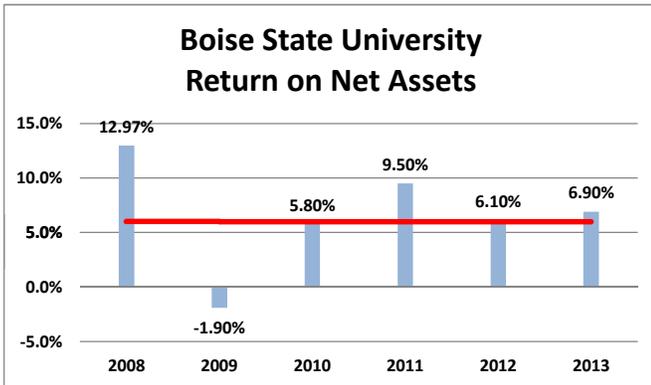
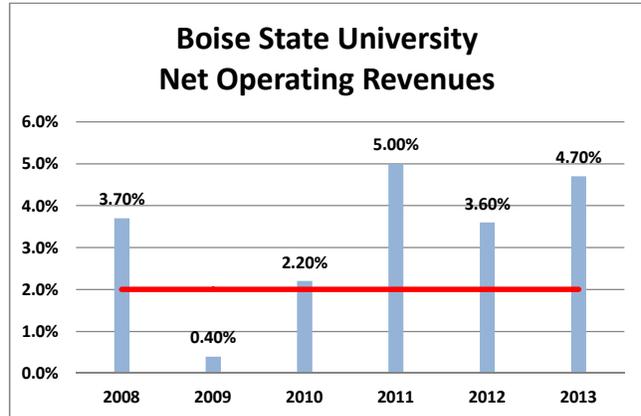
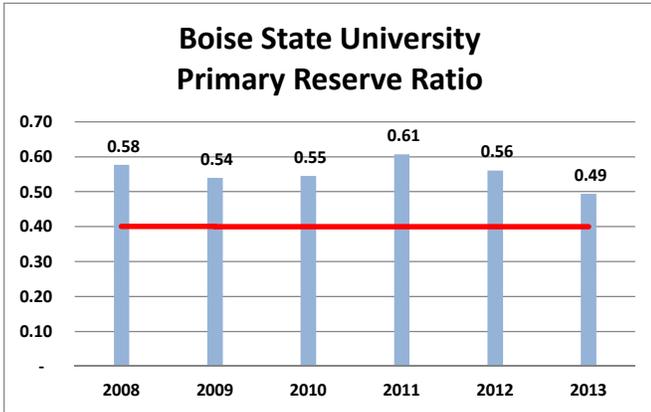
**BOARD ACTION**

This item is for informational purposes only. Any action will be at the Board's discretion.

Boise State University

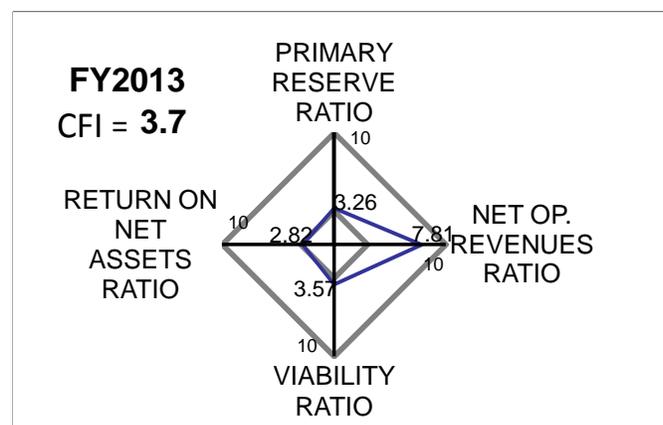
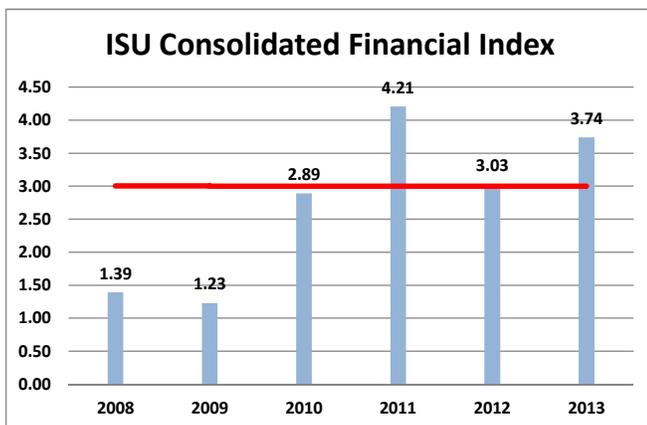
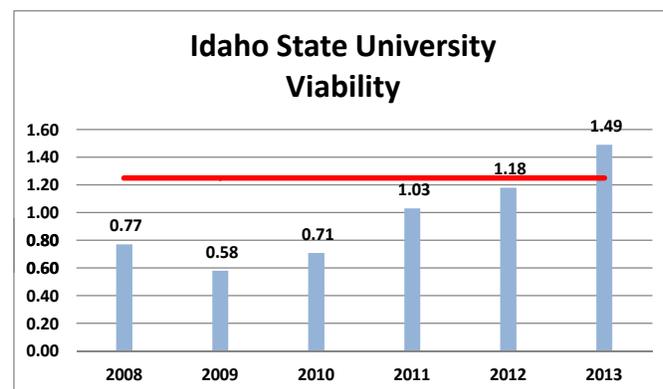
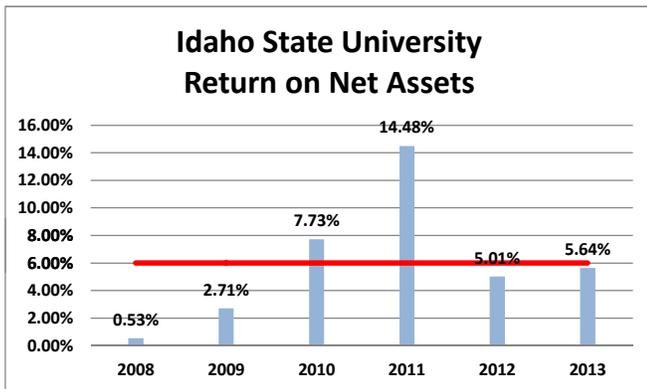
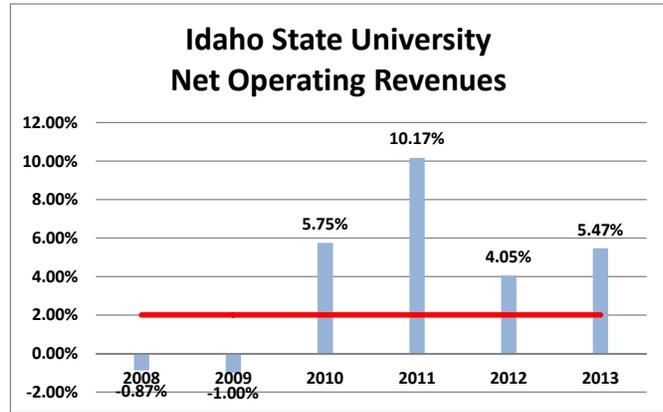
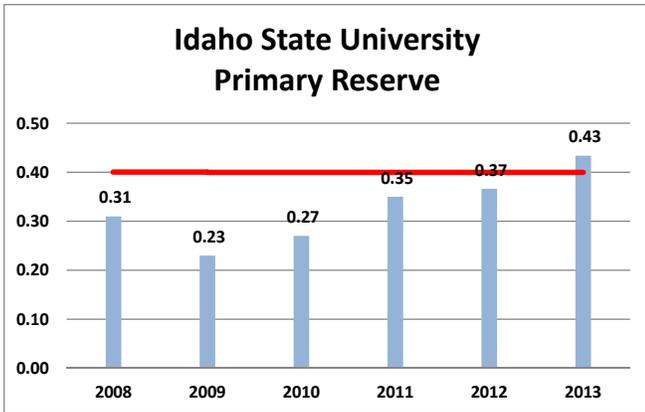
	2008	2009	2010	2011	2012	2013	Benchmark
Primary Reserve	0.58	0.54	0.55	0.61	0.56	0.49	0.40
Net Operating Revenues	3.7%	0.4%	2.2%	5.0%	3.6%	4.7%	2.00%
Return on Net Assets	13.0%	-1.9%	5.8%	9.5%	6.1%	6.9%	6.00%
Viability	0.75	0.67	0.68	0.83	0.78	0.77	1.25
CFI	3.98	1.85	2.91	3.98	3.28	3.31	3.0

\* 2008 was restated for FASB cu presentation



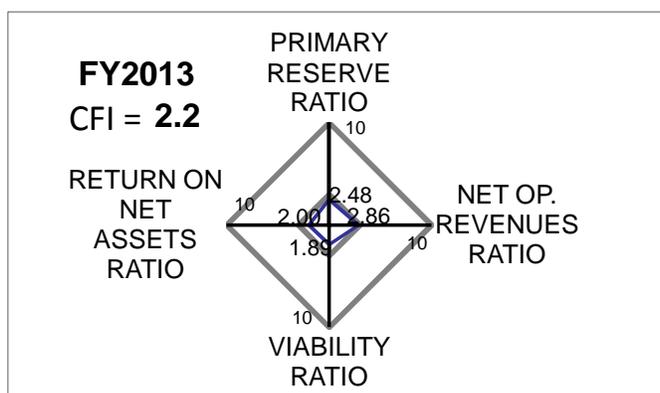
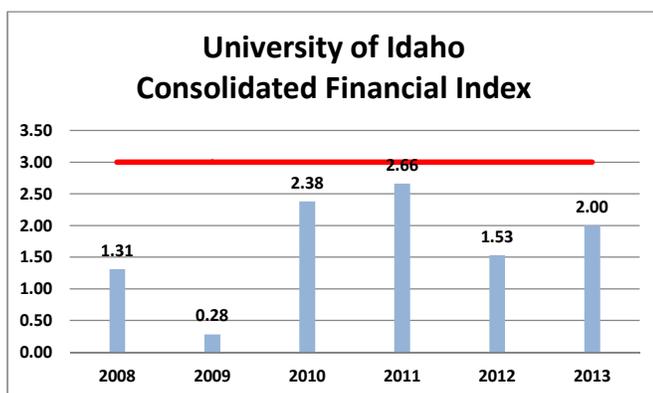
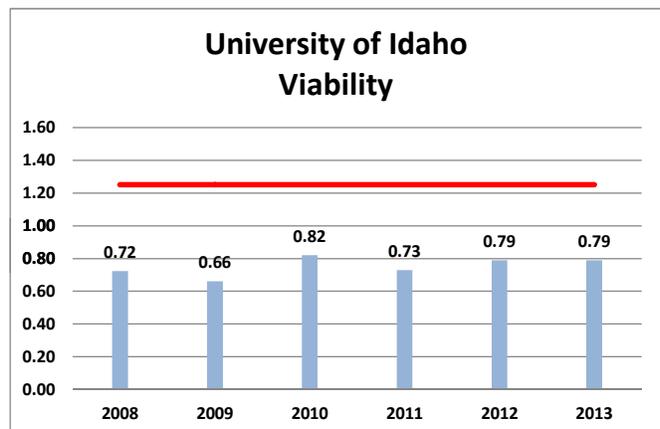
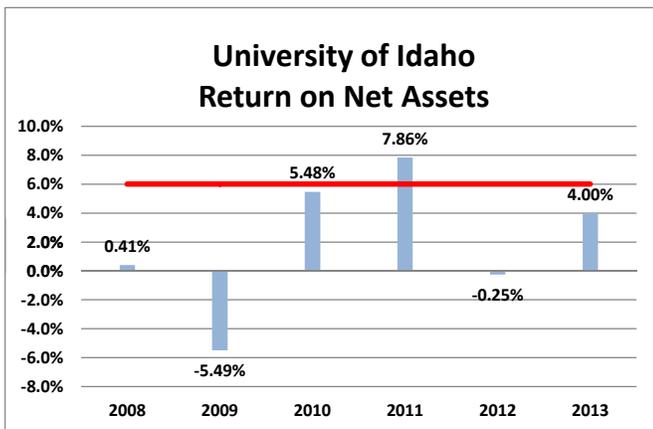
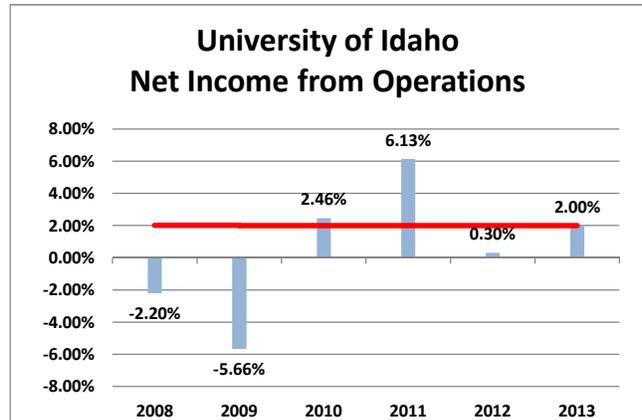
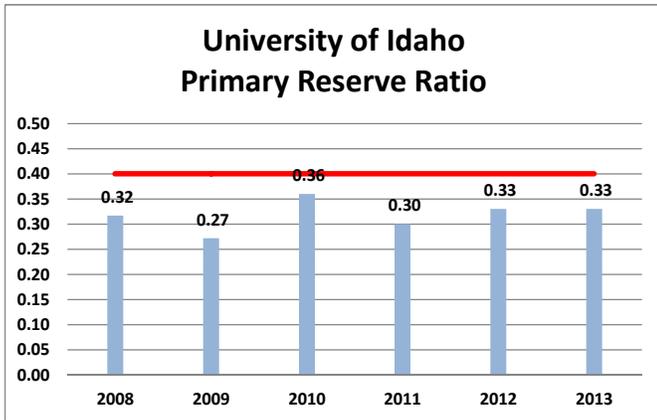
Idaho State University

	2008	2009	2010	2011	2012	2013	Benchmark
Primary Reserve	0.31	0.23	0.27	0.35	0.37	0.43	0.40
Net Operating Revenues	-0.87%	-1.00%	5.75%	10.17%	4.05%	5.47%	2.00%
Return on Net Assets	0.53%	2.71%	7.73%	14.48%	5.01%	5.64%	6.00%
Viability	0.77	0.58	0.71	1.03	1.18	1.49	1.25
CFI	1.39	1.23	2.89	4.21	3.03	3.74	3.0



University of Idaho

	2008	2009	2010	2011	2012	2013	Benchmark
Primary Reserve Ratio	0.32	0.27	0.36	0.30	0.33	0.33	0.40
Net Operating Revenues	-2.20%	-5.66%	2.46%	6.13%	0.30%	2.00%	2.00%
Return on Net Assets	0.41%	-5.49%	5.48%	7.86%	-0.25%	4.00%	6.00%
Viability	0.72	0.66	0.82	0.73	0.79	0.79	1.25
CFI	1.31	0.28	2.38	2.66	1.53	2.00	3.0



Lewis-Clark State College

	2008	2009	2010	2011	2012	2013	Benchmark
Primary Reserve	0.28	0.30	0.36	0.44	0.53	0.60	0.40
Net Operating Revenues	1.70%	4.80%	4.60%	7.30%	6.90%	4.70%	2.00%
Return on Net Assets	3.60%	10.00%	20.00%	10.50%	8.20%	6.80%	6.00%
Viability	2.00	1.37	1.74	2.67	4.09	5.54	1.25
CFI	3.00	3.60	5.10	5.50	6.60	7.57	3.00

