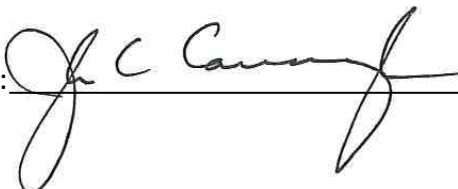


Office of the Chancellor
Pennsylvania State System of Higher Education
Procedures and Standards for University Operations

Procedure/Standard Number 2011-04
Accounting for Privatized Housing

Approved by:  Date: 10/18/11

History: Revised --

Additional History--

Related Policies: [Board of Governors' Policy 1996-03: Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements](#); [Board of Governors' Policy 1983-17: Auxiliary Enterprises](#); [Enabling Legislation for the Pennsylvania State System of Higher Education \(Act 188 of 1982, as amended\)](#), §20-2016-A; Generally Accepted Accounting Principles.

Additional References:

I. Introduction

The purpose of this standard is to ensure that universities account for privatized housing activity consistently and in accordance with Board of Governors' policies and Generally Accepted Accounting Principles. The flow chart in Appendix A summarizes this standard.

II. Definitions

- A. **Agency Fund:** An accounting classification of net assets used to record funds received in a purely custodial capacity. When funds are received, a liability is recorded; when the funds are disbursed, the liability is reduced. (Net assets always equal \$0).
- B. **Auxiliary Enterprise:** University operations that exist to furnish goods or services to students, faculty, or staff and charge a fee directly to the users that is intended to cover the costs of providing the goods or services.
- C. **Auxiliary Fund:** An accounting classification of net assets used to record auxiliary operations.
- D. **Generally Accepted Accounting Principles (GAAP):** The widely accepted set of rules, conventions, standards, and procedures for reporting financial information. The Governmental Accounting Standards Board (GASB) predominantly establishes GAAP for governmental organizations such as PASSHE.

- E. **Manage:** A university manages privatized housing operations if it directly incurs all or some personnel, operating, and/or capital expenditures directly or indirectly related to operating privatized housing.
- F. **Privatized Housing:** Housing built and owned by organizations affiliated with a PASSHE university, either on Commonwealth-, university-, or affiliate-owned land, for the benefit of university students.

III. Classification of Privatized Housing Activity as Auxiliary

Except as otherwise specified below, privatized housing is accounted for as an Auxiliary Enterprise; as such, the activity must be self-sustaining in accordance with [Board of Governors' Policy 1996-03: Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements](#) and [Board of Governors' Policy 1983-17: Auxiliary Enterprises](#).

IV. Accounting for Rent Received from Students

- A. Rent collected from students by the university and retained by the university is recorded in the Auxiliary Fund as *Privatized Housing Rental Revenue*.
- B. Rent collected from students by the university and forwarded to the affiliate is recorded in an Agency Fund.
- C. If the university does not collect the rent from students, no rental revenue activity is recorded on the university's books.
- D. Deposits received from students, such as security deposits and advance deposits, should be recorded as a liability until returned to the student, forwarded to the affiliate, applied to rent, used to cover damages, etc. In arrangements where the university is recording the rental revenue, associated deposits should be recorded as a Deposit Liability; where the affiliate is recording the rental revenue, associated deposits held by the university should be recorded as *Due to Component Unit*. Amounts applied to rent or used by the university to cover damages should be reclassified as revenue in the Auxiliary Fund.

V. Accounting for Revenue Received from Affiliate

- A. **If the privatized housing is situated on land owned by the university/Commonwealth and:**
 - 1. If the university manages the privatized housing operations, revenue received from the affiliate is recorded in the Auxiliary Fund as follows:
 - a) Land lease fees received from the affiliate are recorded as *Privatized Housing Land Lease Fees*.
 - b) Fees received from the affiliate for managing the operations are recorded as *Privatized Housing Management Fees*.
 - c) Reimbursements of direct operating expenditures (such as utilities, maintenance, etc.) from the affiliate are recorded as *Privatized Housing Reimbursed Expenditures* (revenue account).

- d) Reimbursements of indirect expenditures can be recorded as either *Privatized Housing Reimbursed Expenditures* or *Privatized Housing Management Fees*, whichever is more appropriate to the arrangement.
 - e) Payments from affiliates for profit sharing are recorded as *Privatized Housing Profit Sharing*.
- 2. If the university does not manage the privatized housing operations, the land lease fee received from the affiliate is recorded in the Educational and General Fund as *Privatized Housing Land Lease Fee*.

B. If the privatized housing is situated on land owned by the affiliate and:

- 1. If the university manages the privatized housing operations, revenue received from the affiliate is recorded in the Auxiliary Fund as follows:
 - a) Fees received from the affiliate for managing the operations are recorded as *Privatized Housing Management Fees*.
 - b) Reimbursements of direct operating expenditures (such as utilities, maintenance, etc.) from the affiliate are recorded as *Privatized Housing Reimbursed Expenditures* (revenue account).
 - c) Reimbursements of indirect expenditures can be recorded as either *Privatized Housing Reimbursed Expenditures* or *Privatized Housing Management Fees*, whichever is more appropriate to the arrangement.
 - d) Payments from affiliates for profit sharing are recorded as *Privatized Housing Profit Sharing*.
- 2. If the university does not manage the privatized housing operations, no activity is recorded.

VI. Accounting for Privatized Housing Expenses/Expenditures

A. If the privatized housing is situated on land owned by the university/Commonwealth and the university manages the privatized housing operations:

- 1. Personnel, operating, and capital expenses/expenditures are recorded in the Auxiliary Fund in the respective general ledger accounts.
- 2. Indirect expenses are calculated as required by Board of Governors' Policy 1996-03, *Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements* and recorded in the Auxiliary Fund in the respective general ledger accounts.

B. If the privatized housing is situated on land owned by the affiliate, and the university manages the privatized housing operations:

- 1. Personnel, operating, and capital expenses/expenditures are recorded in the Auxiliary Fund in the respective general ledger accounts.
- 2. Indirect expenses are calculated as required by Board of Governors' Policy 1996-03, *Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements* and recorded in the Auxiliary Fund in the respective general ledger accounts.
- 3. Any land lease expense paid to the affiliate is recorded in the Auxiliary Fund as *Privatized Housing Land Lease Expense*.

VII. One-Half of One Percent Payment to Office of the Chancellor

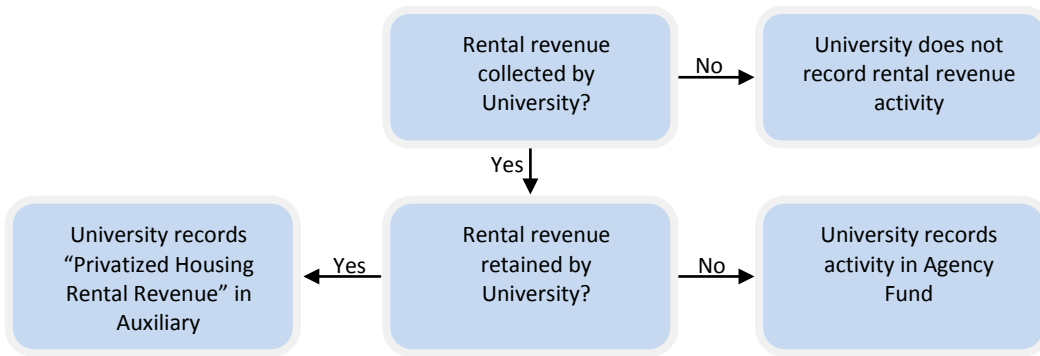
As a general rule, if a privatized housing project is replacing university housing on which the one-half of one percent payment to the Office of the Chancellor was previously collected (as provided for by Act 188 of 1982, §20-2016-A), the privatized housing student rental revenue will be subject to the one-half of one percent payment, regardless of whether the university or affiliate collects or retains the revenue. Conversely, if the privatized housing is adding beds to existing university housing, it will not be subject to the one-half of one percent payment. It will be specified in the privatized housing contract between the university and its affiliate if the privatized housing student rental revenue is subject to the one-half of one percent payment to the Office of the Chancellor. If the contract is silent on the issue, it is assumed that the privatized housing student rental revenue is not subject to the one-half of one percent payment to the Office of the Chancellor.

VIII. Implementation

This standard is effective July 1, 2011.

Appendix A
Pennsylvania State System of Higher Education
Accounting for Privatized Housing

Accounting for Student Rental Revenue



Accounting for Expenses/Expenditures and Revenue from Affiliate

