



Policy Series #: 6000(P)
Policy Manager: Judy Enright
Auxiliary Operations Procedure

Purpose: The purpose of this procedure is to ensure that Riverland Community College follows MnSCU Board Procedure 7.3.2 Auxiliary Operations to meet the requirements, recommended practices and expectations when managing Auxiliary Enterprises.

Part 1. Authority. Board Policy 7.3, Authority, delegates to the chancellor authority to develop procedures to implement this policy.

Part 2. Purpose. Auxiliary enterprises are a significant part of the colleges and universities' financial affairs. They are vital components of the total academic experience, and their proper and efficient management is an important determinant of student satisfaction.

Part 3. Definitions

Auxiliary Enterprises: Within the Minnesota State Colleges and Universities the term "auxiliary enterprises" is used at various times to refer to types of operations meeting the definition of enterprise fund activities.

In the Minnesota State Colleges and Universities accounting system, "auxiliary enterprises" are generally designated by ENT appropriation or Revenue Fund appropriations and may include housing services, food services, health services, wellness centers, retail sales (including the retail operations of the student centers and bookstore sales), student Perkins loan programs and parking. For purposes of this procedure, auxiliary enterprises include activities operated by a college or university and activities obtained through contracted services.

Enterprise Funds: The Governmental Accounting Standards Board defines enterprise funds as those funds used "to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and /or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes."

Revenue Fund or the Fund: Means the statutorily-established, restricted enterprise fund for use in issuing bonds, managing bond financing, and governing operations of certain revenue-generating facilities at the Minnesota State Colleges and Universities' campuses.

Part 4. Requirements and Recommended Practices

Subpart A. Allowable Auxiliary Enterprises. All auxiliary enterprises must be integral to the fulfillment of the college or university's instructional, research or public service missions or must

meet one of the other four criteria specified in System Procedure 7.6.1. Competition with the Private Sector. An auxiliary enterprise is allowable only if:

1. there are compelling reasons of economic efficiency to do so;
2. the project or service is unavailable elsewhere in the community;
3. providing the product or service is a major convenience to the campus community or to members of the public participating in institutional activities; or,
4. offering the product or service is of major importance to maintaining the quality of the institution.

Subpart B. Cost Recovery. Prices and rates should be established to recover full costs. The president may determine that specified other financial resources will be used to subsidize an auxiliary enterprise. The subsidy will be recorded in the accounting system and addressed in the multi-year financial plan. The president may also set prices in excess of those necessary to recover full cost in order to generate resources for activities that benefit students or promote the long-term stewardship of an asset.

Subpart C. Institutional Procedures. Each institution shall develop procedures to govern the operation of its auxiliary enterprises. These procedures shall be in compliance with Board Policy 2.3, Student Involvement in Decision Making, and System Procedure 2.3.1, Student Involvement in Decision Making. Institutional procedures should include budgeting and pricing practices and a process to determine uses of any expendable net assets. Pricing/rates should be established in a manner that considers equity among students/customers. Excess cash shall be invested in accordance with Board Policy 7.5, Financial Institutions and Investments.

Subpart D. Revenue and Loans. Generally, revenues are to be expended for the auxiliary enterprise for which they were generated. Any subsidizing of one auxiliary enterprise by another auxiliary enterprise or by another fund, must be approved by the president, recorded in the accounting system and documented with a letter to the file regarding the circumstances. The revenue fund is subject to additional approval and reporting requirements as provided by Board Procedure 7.3.5, Revenue Fund Management.

All loans, involving auxiliary enterprises shall be approved by the president and recorded as a loan in the accounting system. A written agreement is required for a loan and must include a defined time period for repayment. Excess funds shall be invested in accordance with Board Policy 7.5, Financial Institutions and Investments.

Part 5. Management Expectations. The following management expectations apply to each auxiliary enterprise activity with annual total revenues for the preceding fiscal year in excess of \$100,000.

Subpart A. Multi-year Planning. Multiple year budget and program planning is essential to assure programmatic stability, fiscal soundness and funding equity among students/customers.

Subpart B. Annual Financial Statements. Preparation of annual financial statements and the use of generally accepted accounting principles is expected for effective fiscal management in order to ensure that all revenues and expenses are recognized and matched in the appropriate periods, and that liabilities are fully recognized and that assets and their impairment are fully considered.

Subpart C. Net Assets. Colleges and universities shall have a review process and multi-year financial plan in place to ensure that adequate but not excessive net assets and designated reserves are established and maintained.

1. It is recommended that unrestricted net assets designated as reserves equal 3 months of the prior year's average monthly operating expenses (excluding depreciation and including cost of goods sold).
2. Notwithstanding 1 above, any auxiliary enterprise either financed or related to revenue bond supported activities shall establish reserves in accordance with all applicable bond covenants and fiscal requirements.
3. Any net assets accumulations in excess of the levels recommended in 1 and 2 above must be clearly linked to specific programming and operating needs, such as student scholarships, establishing a quasi-endowment, planned capital expenses (including deferred maintenance), or reduction of fees and charges in the next year's operating budget and must be reviewed and approved annually by the president.

Part 6. Indirect Costs/Chargebacks. Auxiliary enterprise operations must be charged direct costs. Indirect costs must be allocated and may be charged to auxiliary enterprise operations as provided in System Procedure 7.3.4, Cost Allocation, and related guidelines.

Part 7. Compliance. Colleges and universities are responsible for ensuring the programmatic and fiscal soundness of their auxiliary enterprises and maintaining a written multi-year financial plan.

System administration will monitor the fiscal soundness of auxiliary enterprises through normal budgetary reviews.

Part 8. Revenue Fund. This procedure shall be applied in coordination of Procedure 7.3.5, Revenue Fund Management.

Does this policy have a procedure? Yes.

Links to other policies/procedures/plans: www.mnscu.edu/board/procedure/703p2.html

Date of Initial Review by President's Cabinet: 3/14/2013.

AASC Review (if applicable):

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Date & Subject of Revisions: