

Policy Title:	Financing Reserves for Repair or Replacement of Depreciable Assets of Auxiliary Enterprise and Other Self-Liquidating Activities
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Governing Body:	Southern Oregon University	Policy Number:	IMP 6.350
Policy Contact:	Vice President for Finance & Administration	Date Revised:	July 2016
Custodial Office:	Finance & Administration	Date Approved:	July 2016
Approved By:	President	Next Review:	July 2019
Related Policy:			

Revision History

Revision Number:	Change:	Date:
-	Initial version	July 2015
1	Revision	July 2016

A. Purpose

This policy codifies and revises as Southern Oregon University Policy the rule previously adopted by the State Board of Higher Education concerning this topic and transferred to SOU by operation of law on July 1, 2015.

B. Policy Statement

6.350 Building/IOTB Repair and Equipment Replacement Reserves for Auxiliary Enterprises and Other Self-Liquidating Activities

1. Auxiliary enterprises and other self-liquidating activities shall maintain building and improvements other than buildings (IOTB) repair and equipment replacement reserves for the purpose of funding the cost of repairs or replacement of depreciable assets. Such reserves should be sufficient to promote the efficient and effective operation of the related operating unit, avoid significant fluctuations in fees charged for services, and minimize the potential for unanticipated financial shortfalls that may impact the other funds of the institution.

2. Each auxiliary enterprise and other self-liquidating activity shall determine the appropriate level of repair reserves for buildings and IOTBs and equipment replacement reserves based on a capital asset management plan (Plan) that is prepared/updated at least annually and approved by the Vice President for Finance and Administration or designee. The Plan required under this provision will be based on a minimum five-year planning horizon and will assess the

repair or replacement needs of each asset or asset class and include an analysis of the annual funding necessary to accumulate the funds required to execute the plan. When preparing/updating the Plan, consideration should be given to the availability of interest earnings on reserves of auxiliary enterprises in order to maximize the benefits of setting aside reserve funds. The Plan required under this section must be retained for audit purposes.

3. Each auxiliary enterprise and self-liquidating activity with capital assets of \$150,000 (recorded cost) or more will prepare and retain the Plan referred to in subsection 2 above. Should the Plan indicate the need for building/IOTB repair and/or equipment replacement reserves, a fund should be established for those purposes (if not already established) and funded accordingly. Institution-specific policies will determine whether activities with less than \$150,000 (recorded cost) of capital assets will prepare a Plan and establish and fund any reserves.

4. Generally, building/IOTB repair and equipment replacement reserves may not be used for any other purpose than to repair or replace capital assets used in the operation of the related auxiliary enterprise or other self-liquidating activity. Consideration should be given to statutory requirements (see subsection 6 below), applicable federal cost requirements, and the source of funding before authorizing the use of building/IOTB repair and equipment replacement reserves for any other purpose. Authorization for such other use may only be granted by the Vice President for Finance and Administration or designee and must be documented and retained for audit purposes.

5. Pursuant to ORS 351.615, only building repair and equipment replacement reserves of auxiliary enterprises may be credited to the Higher Education Auxiliary Enterprise Building Repair and Equipment Replacement Fund (Fund). Reserves for the repair or replacement of other depreciable assets (IOTBs) of auxiliary enterprises may not be credited to the Fund. Monies deposited in the Fund may not be used for any other purpose than for the repair and alteration of auxiliary enterprise buildings and the replacement of auxiliary enterprise equipment. No repair/replacement reserves of service departments or any other self-liquidating activities may be credited to the Fund.

6. Except as otherwise provided, exceptions to the requirements of subsections 1 through 5 above may be granted by the President or designee.

This policy may be revised at any time without notice. All revisions supersede prior policy and are effective immediately upon approval.

C. Policy Consultation

This policy was transferred to SOU by operation of law on July 1, 2015 from the State Board of Higher Education's set of policies known as the Internal Management Directives. Revisions to the text of the policy were posted for campus comment on June 21, 2016.

D. Other Information

The Policy Contact, defined above, will write and maintain the procedures related to this policy and these procedures will be made available within the Custodial Office.