



Management and Use of Fund Reserves Procedure

PURPOSE

The purpose of the fund reserves guidelines is to inform and educate department managers of the following:

- Types of fund reserves, restrictions and guidelines for use
- Board of Regents policy regarding use of fund reserves
- Department managers fiscal responsibility
- Notification and requesting use of funds
- Reporting

Types, Restrictions and Guidelines:

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| Fund 10500 – Tuition | Up to 3% of net revenues; unrestricted |
| Fund 12xxx – Auxiliary | Remaining balance at fiscal year-end; restricted & unrestricted |
| Fund 13000 – Student Activities | Remaining balance at fiscal year-end; restricted & unrestricted |
| Fund 14000 – Departmental Sales & Services | Remaining balance at fiscal year-end; unrestricted |
| Fund 15000 – Indirect Cost Recoveries | Remaining balance at fiscal yearend; unrestricted |
| Fund 16000 – Technology Fee | Remaining balance at fiscal year-end; unrestricted |

Unrestricted reserves are intended to provide an internal source of funds for situations such as an unplanned increase in expenses, one-time unbudgeted expenses, and one time or unexpected loss in revenues. They are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. Unrestricted reserves should be used and replenished within a reasonably short period of time.

Restricted reserves for renewal and replacement can be used for renewal and replacement of capital assets only. See BOR policy below for more information

Board of Regents Policy:

BOARD OF REGENTS POLICY 15.5 Auxiliary Revenues and Net Assets states:

The reserves of auxiliary enterprises may include reserves for renewals and replacements, reserves for subsequent years' expenditures and reserves for investment (improvements) in plant. Institutions are required to fund current year depreciation as an addition to the renewal and replacement reserve. The renewal and replacement reserve can be used for renewal and replacement of capitalizable assets only. Items that do not meet the capitalizable threshold should be funded from the reserve for subsequent years' expenditures (funds generated from operating profits). The renewal and replacement reserve can be used for capitalizable expenditures that extend the useful life or improve the performance of an asset.

Notification and Request to Use Reserves

The Office of Finance & Accounting (OFA) will determine, after completion of the Annual Financial Report, the amount of restricted & unrestricted reserves remaining for each fund group and department. This information will be provided to the Office of Budget & Planning (OBP). For fund groups 10500, 14000 and 15000, OBP will notify business managers and will amend current year budget to reflect the carry forward amount. No action is required by department managers for these fund groups. For all other fund groups (12xxxx, 13xxxx, and 16xxxx), OBP will notify department manager and business manager of fund balance but will require a budget amendment along with justification to be submitted by the department manager for any amount needed during the fiscal year. Amendments can be submitted as often as needed during the year. Justification should outline the amount needed, purpose and timeline to restore funding. Amendments along with justification require signature of the department manager, dean (if applicable), division vice president and the AVP for Operations.

Department Manager's Fiscal Responsibility

Department manager must ensure that the department unit operates in compliance with established policies and procedures of the university and Board of Regents. Department manager's fiscal responsibilities include:

- Expend funds within budget or fund availability
- Review and approve all charges made against the department budget for appropriateness and accuracy
- Monitor balances, including fund balances, on a regular basis and make reasonable projections of future needs to ensure fund balances remain positive and sufficient to meet minimum needs.

Reporting

Board of Regents requires institutions to report fund reserve balances and intended use of the balances at the end of each fiscal year and when reporting on mandatory fees. Additionally, institutions must submit on a quarterly basis any budgeted amount of reserves along with intended use.