

**Classification and Operation
Of Auxiliary Enterprises Policy**

BOT Approved: February 17, 2015
Procedure Update to BD 11/19/19.

PURPOSE:

The purpose of this policy is to provide uniformity in the classification and operation of auxiliary Enterprises at Garrett College.

POLICY:

A primary mission of Garrett College is the creation and dissemination of knowledge. To carry out this mission, it is often desirable for the institution and its affiliated units to charge fees for providing goods and services that enhance, promote, or support its instructional, student service, public service, and all other educational and support functions in order to meet the needs of the students, faculty, staff and members of the public engaged in College sponsored programs and activities, utilizing College facilities or participating in institutional events.

PROCEDURES:

A. Role and Scope of Auxiliary Enterprise Operation

1. Definition of Auxiliary Enterprises:
 - a. An auxiliary enterprise furnishes goods and services to students, faculty, or staff, and charges a fee directly related to, but not necessarily equal to, the cost of the good or service.
 - b. Auxiliary enterprises that provide goods and services to the general public on a regular basis will be considered public service activities.
 - c. Auxiliary enterprises are essential elements in support of the educational program, and conceptually should be regarded as self-supporting.
 - d. It is not the intent of Garrett College's auxiliaries to unfairly compete with private businesses or other organizations providing similar goods and services.
2. The following activities should be classified as auxiliaries:
 - a. Housing, including dormitories, apartments, and any other college-managed housing.
 - b. College Stores, including bookstores, equipment sales and rentals.
 - c. Vending services, including food vending and other non-food vending.
 - d. Any other activity which meets the approved definition

3. Concept of Auxiliary Enterprises as Self-Supporting
 - a. The goal for all auxiliary enterprises, both individually and cumulatively, is for revenues to at least equal expenditures and transfers.
 - (1) It is recognized that some auxiliary enterprises may have difficulty in providing necessary services at reasonable prices on a breakeven basis, but justification for each such enterprise must be provided through the annual operating budget process.
 - (2) Transfers from College operating funds shall be recorded as non-mandatory transfers and reported by the auxiliary enterprise separate from the auxiliary's revenues and expenses from operations.
 - b. All rate structures should be recommended and set on the basis of projected expenditures and transfers.
 - c. College departments as well as other non-profit organizations and groups purchasing goods or services from Auxiliary enterprises will be billed at standard non-profit rates.
 - (1) Normal business practices often require auxiliary directors to discount goods and services or provide additional services at no charge in order to increase revenues and provide superior customer service.
 - (2) Auxiliary directors may discount charges for goods and services for greater than de minimis amounts upon request with the approval of the Dean of their area or the president.
 - a. Discounts should not exceed 50% for auxiliaries not requiring subsidies from Garrett College operating funds.
 - b. Discounts for auxiliaries requiring subsidies from Garrett College operating funds should not exceed 25%.

B. Purchasing of Goods and Services for Auxiliary Enterprises

1. General

- a. Purchases for auxiliary enterprises generally fall into major categories:
 - (1) Purchases for resale; and
 - (2) Purchases for consumption or use by the auxiliary enterprises.
 - (a) Examples of purchases for consumption or use by the auxiliary enterprises are furnishings for dormitory rooms, general supplies, office supplies, etc.
 - (b) Purchases for resale include items which are to be resold, including textbooks and other course related materials and supplies, and other miscellaneous items which are needed on a regular basis by the users of the enterprises.
- b. Purchases for auxiliaries are subject to the provisions of the Board purchasing policy.

C. Classification of Revenues and Expenditures of Auxiliary enterprises

1. All Revenues and Expenditures will be classified first under the appropriate specific auxiliary enterprises. Further details relative to appropriate classifications are provided below.

2. Classification of Revenues:
 - a. The source of funds is the primary determinant of revenue classification.
 - b. Only nominal amounts may be reported as “Other” or “Miscellaneous”.
3. Classification of Expenditures:
 - a. Expenditures shall be recorded by object classification. Grouping of similar objects is permissible for financial reporting purposes.

 - b. All direct costs will be charged to the appropriate auxiliary enterprise. Where actual incurred costs apply to more than one auxiliary enterprise, the costs will be allocated or prorated to each auxiliary enterprise. I.e. compensation costs for residence hall staff.
4. Allocation of Institutional Support to Auxiliaries:
 - a. Auxiliary enterprises shall be charged for the specific and specialized services or benefits they receive.
 - b. Allocation of institutional support may be based on number of personnel employed by the auxiliary enterprise, total expenditures of the auxiliary enterprise or any reasonable allocation approved by the College’s finance office.
5. Plant Costs Allocated to Auxiliaries:
 - a. Proportionate amounts of all Operation and Maintenance of Plant costs shall be allocated to Auxiliary Enterprises. The allocations shall be made on the basis of the most accurate information and the most reasonable basis as determined by the College’s business office.
 - b. A direct charge basis shall be used when a work order is submitted and expenses can be directly traced to the requested order.
 - c. Inventoried custodial supplies can be charged directly to the auxiliary enterprises provided records are maintained adequately accounting for the supplies used by the auxiliary enterprise.
 - d. Any Operation and Maintenance of Plant costs not directly charged to the auxiliary enterprise will be allocated on a square foot basis unless it is determined that another method provides a more reasonable allocation.
6. Replacement of Equipment and Facilities:
 - a. Expenses for equipment replacement, major repairs or facility additions and improvements for auxiliary enterprises shall be approved and budgeted as part of the College’s Capital Funding request.
 - b. Items with a cost greater than \$5,000 (\$1,000 for Adventure Sports Equipment items) will be capitalized and depreciated over the same useful lives as used for College property and equipment.
 - c. Depreciation expense will be charged as a direct cost for any capitalized property owned by the auxiliary enterprise.

D. Auxiliary Receipts and Deposits

1. All funds received by auxiliary enterprises are deposited into accounts maintained by the College business office.
 - a. Funds received by auxiliary enterprises should be submitted to the business office no less than monthly depending on the volume of cash receipts of the auxiliary. When funds cannot be deposited with the business office due to school closures, vacations, trips and meetings or prolonged illnesses every effort should be made to forward the funds the next business day and/or when the responsible individual returns to campus.

E. Adherence to College Policies and Procedures

1. In addition to the above noted policies and procedures specific to auxiliary operations, auxiliary enterprises are expected to follow applicable College policies and procedures including but not limited to policies and procedures governing financial, facilities and safety and security .