



PA State System of Higher Education Board of Governors

Effective: July 1, 1996

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Policy 1996-03: Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements

See Also:

Adopted: April 18, 1996

Amended:

A. Policy

An auxiliary enterprise is an operation that exists to furnish goods or services to students, faculty, or staff, and charges a fee directly to the users that is intended to cover the costs of providing the goods or services. The operation must be designed to be self-supporting and the application of the definition must be consistent from year to year. Once an operation is deemed auxiliary in nature for financial statement purposes, the annual profitability of the operation must not be a factor for inclusion or exclusion on the university's audited financial statements. Activity related to residence halls, food service, student centers, and student recreational centers (as it relates to the building and its operating expenses) must be considered auxiliary enterprises. For accounting purposes, health centers will not be reflected as auxiliary enterprises; universities are not precluded from charging a fee directly to the users of health centers to cover the costs of providing these services.

B. Procedures

1. Expenditures for all indirect costs must be allocated to the auxiliary enterprises. Such allocation may be based upon estimates of usage levels. Allocations of expenditures related to university-wide services, such as computer usage, telephone, central duplicating, postage, etc., shall be made to the extent considered practicable based on estimates or actual volume of usage.
2. Auxiliary enterprises will be viewed and operated as service centers. These service centers will have both direct costs (e.g., personnel) and indirect costs (e.g., purchasing, accounting services, grounds keeping, maintenance/custodial services) associated with their operation. These service centers will be required to fund these costs either by generating

income as a result of their own function or by charging a fair and equitable fee for the use of auxiliary enterprise facilities.

3. All expenses associated with the operation of these service centers will be recorded as auxiliary enterprise activity for financial statement purposes. Revenue generated as a result of their own operation or from fees charged to related entities (e.g., student government associations, foundations) for the use of the building will be recorded directly as auxiliary enterprise activity. A charge to the university's educational and general budget for use of an auxiliary enterprise building for educational and general purposes (e.g., instruction) will be accounted for as a charge back for service.
4. Ownership of capital assets for auxiliary enterprises, as defined under the scope of this policy, will be recorded as university-owned assets on the university's books.

C. Effective Date

July 1, 1996