

## Auxiliary Enterprises

This policy defines auxiliary enterprises and provides guidelines for their financial operations, including their relationship to the college General Fund.

### Definition

Auxiliary enterprises furnish goods or services to students, faculty, staff, or incidentally to the general public. An auxiliary enterprise charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristics of an auxiliary enterprise are:

1. There is nexus between the fee paid by the user and the goods and services received; the user exchanges money for goods and services of equivalent value.
2. It is managed as an essentially self-supporting activity.

Clackamas Community College accounts for auxiliary enterprises in proprietary funds, as follows:

1. Bookstore;
2. Technical Mechanical;
3. Customized Training;
4. Internal Service.

Auxiliary enterprises do not include the following.

1. Activities lacking a direct, proportionate relationship between the fee paid and the goods and services received.

Example: Intramurals and Athletics, Student Life and Leadership (Associated Student Government) and the Computer Lab funds are financed by the per-credit general student fee. The amount of the fee an individual student pays is not proportionate to the level of their participation in or use of any of these services. The same is true for the Student Technology Fund, which is financed by the per-credit technology student fee.

Example: The Fee Fund accounts for course fees which, per Board policy, may be used for costs related to instructional delivery and support. A given course fee may or may not pay for the specific personnel and supplies used in a particular course section. The Automotive department, for instance, may accumulate course fees for several years to periodically replace expensive equipment.

2. Functions which are not necessarily self-supporting. The college is engaged in numerous functions where fees are intended to cover direct costs, but which are not self-supporting to the same degree as auxiliary enterprises. Auxiliary enterprises typically cover significant capital costs; maintain working capital; and cease operations if revenues are insufficient over time. Excluded functions typically don't cover capital costs; lack inventory or other working capital needs; and may be subsidized by the General Fund.

Example: Highschool referral classes are classes held on the Clackamas Community College campus. The students enrolled must be referred by their individual district in order to attend. The districts are charged based on the rate the State pays to them for K-12 education. Although the intent is that high school referral classes break even financially, General Fund resources may be used to subsidize if necessary because of the integral link between local high schools and the college.

## **Financial Relationships**

Auxiliary enterprise charges are set by the division which has managerial responsibility for the financial results. These rates are monitored by the college vice presidents as are related fund financial results.

Financial expectations for auxiliary enterprises follow:

1. Cover direct cost of operations. Direct costs are those specifically identified with delivery of goods and services. It includes the cost of goods sold, personnel delivering or directly supporting the services, materials and supplies consumed in provision of the goods and services, and items such as maintenance agreements for equipment and software essential to the enterprise.
2. Contribute toward indirect costs. Indirect costs are not solely attributable to enterprise operations. These costs typically benefit more than one activity. Examples include insurance, academic, administrative and support personnel, utilities and other building costs. The amount of the transfer from auxiliary enterprises to the General Fund, if any, is determined annually during the budget process.
3. Maintain fund balance sufficient for cash needs and future capital outlay. Auxiliary enterprises should maintain fund balance equal to the sum of net assets plus expected capital outlay for a defined number of years. Net assets typically include accounts receivable and inventory, less accounts payable. Capital outlay includes but is not limited to software, vehicles, copiers, equipment and building fixtures integral to auxiliary operations. Fund balance is reviewed during the annual budget process. The Vice Presidents may choose to transfer excess fund balance to the General Fund as a contribution toward indirect costs. Transfers of "excess" reserves for other purposes may also be effected upon approval of college president.

General operating funds are not used to subsidize auxiliary enterprises.

END OF POLICY

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### **Legal Reference(s):**

[ORS 341.290](#)