



Minnesota State Colleges and Universities
System Procedures
Chapter 5 – Administration
Procedures associated with Board Policy 5.10

5.10.1 General Operating Fund Reserve

Part 1. Authority. Board Policy 7.1, Finance and Administrative Authority for Board, Chancellor and Presidents, delegates authority to the chancellor to develop procedures and guidelines which implement the Board's policies for the administrative and financial management of the MnSCU system, include all colleges and universities.

Part 2. Definitions.

Reserve - A reserve is that part of an institution's year-end general fund balance, which is designated as a reserve and for which no use is presently planned. Reserves are to be designated consistent with this procedure. Reserves for funds other than the general fund are to follow the policies and procedures established for those funds.

Net Asset Balances - Net Asset balances reported in the Annual Financial Report for MnSCU and individual colleges and universities will differ from budgetary fund balances.

Net Asset balances are calculated under generally accepted accounting principles and are based on full accrual of all assets and liabilities. They include all assets including property plant and equipment and all liabilities including those that will not be paid for several years. These liabilities include any long term debt for bonds sold, compensated absences and workers compensation. The net asset balance takes a long term view and includes all revenues earned and obligations incurred regardless of when received or paid and recognizes the depreciation of buildings and equipment.

Budgetary Balances - The budgetary fund balance takes a current perspective and is the result of revenues and expenditures received or paid within the year.

It is the policy of the Board of Trustees that the Office of the Chancellor, colleges, and universities shall provide for classification of all year-end budgetary fund balances in accordance with the following distinctions. Year-end fund balances consist of the following components:

- **Restricted** - Balances the use of which is restricted by parties external to MnSCU.
- **Unrestricted** – Balances the use of which is not restricted by parties external to MnSCU. Unrestricted balances will be designated in one of the following manners:
 - **Designated for Programs** - Balances that have been designated by the Office of the Chancellor or the institution for specific purposes.
 - **Designated for Reserves** - Balances designated by the Office of the Chancellor or the institution for reserves.
 - **Undesignated** - Balances not restricted, designated, or reserved by the Office of the Chancellor or the institution.

Part 3. Purpose of Reserves. System and/or institution reserves may be called upon in cases where other reasonable methods have been insufficient to maintain a balanced budget. Generally, there are three primary uses for reserves: 1) to protect the system and individual institutions in cases of sudden shortfalls in revenue, (e.g., unforeseen shortfall in enrollment or a reduction in state appropriation within the biennium); 2) to cover unanticipated expenses (e.g., one-time legal fees, major disasters, unanticipated increases in utility costs); and 3) to provide for extraordinary one-time investments.

Part 4. Level of Reserves. Any college or university with a general fund reserve below five (5) percent shall report to the vice chancellor – chief financial officer information on current fiscal conditions with a detailed plan to achieve a minimum level. Any institution seeking to maintain reserves above seven (7) percent must have a plan approved by the vice chancellor-chief financial officer.

Part 5. Conditions of Use. Consistent with the policy, the system reserve can be used at the discretion of the chancellor and college/university reserves can be used at the discretion of the president. Reserves must be properly accounted for in the accounting system and records of use maintained. Prior approval by the vice chancellor- chief financial officer is required when an institution seeks to reduce its general fund reserve below three percent.

Part 6. Assistance from the Office of the Chancellor. If an institution exhausts its reserve or may potentially exhaust its reserve, the president can seek assistance from the Office of the Chancellor through a formal request to the vice chancellor- chief financial officer. The president and the vice chancellor- chief financial officer will determine the size and form of the assistance.

Part 7. Reporting. The chancellor will report annually to the board concerning the uses of and outlook for the system reserve and the outlook for college and university reserves. The reserve report will include a list of all requests made to the vice chancellor- chief financial officer for use of system reserves, the requested use, and the dollar amount requested. The report will also include requests approved, the description of the requests, and the dollar amount approved.

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