

**Agendum
Oakland University
Board of Trustees Formal Meeting
June 1, 2005**

**ANCILLARY ACTIVITIES
A Report**

Introduction

In response to questions posed at the May 4, 2005 Board of Trustees Working Session, we have reevaluated the operations being included in the budget approval process, the classification of these operations within our fund accounting system and the assignment of overhead.

The budget approval process for the activities in question is an “all funds” approach for operations referred to as “Ancillary Activities”. The intent of reporting on Ancillary Activities to the Board is to provide a complete picture of unique operations (not just Auxiliary Activities) which have specific external revenue generating capability, where that revenue is specifically used to support the operation itself. The all funds approach provides a comprehensive picture of each operation, including Auxiliary, Designated, Expendable Restricted and Plant Fund activities, as well as General Fund support and overhead.

Currently there are ten Ancillary Activities reported to the Board as listed in the attached Schedule I. These activities have either a material impact on Oakland University’s financial statements or have been operations of particular interest to the Board due to their scope of revenue or activity, potential financial risk, or the need to formally approve fees/rates charged. We are comfortable in continuing this budget review process with the Board for these Ancillary Activities.

The classification of the ten operations is accurate and appropriate according to accepted fund accounting practices. It should be noted that under GASB accounting standards, external auditors no longer audit individual Funds (General, Auxiliary, etc.) but rather audit financial statements on a consolidated basis. However, Universities like Oakland University continue to manage and operate within a fund accounting model to segregate, account for, and report on these funds to others like donors and Federal and State agencies.

As a reminder, the Auxiliary Activities Fund is maintained to account for revenue-producing, substantially self-supporting University activities that perform a service, but are not themselves educational activities (e.g. Graham Health Center). The Designated Fund includes organized departmental activities associated with academic programs (e.g. Lowry Center for Early Childhood Education).

In 2000, the Oakland University administration developed an equitable system of allocating the costs of General Fund institutional support to certain Auxiliary Activities

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(as opposed to Ancillary Activities). This system has been used to calculate and charge overhead since that time. The overall goal is to utilize an equitable system of allocation that is relatively simple to administer and uses current financial data. The determination of which Ancillary Activities to include in the overhead allocation is based on: 1) whether the unit's source of revenue is entirely internal, 2) whether the unit's function is directly related to our academic mission, and 3) whether the function is an outsourced, contracted function. For example, Athletics is primarily internally funded (General Fund) and the Lowry Center is an academic mission unit.

Other Auxiliary operations, such as printing and mail services, which primarily provide internal services, are not charged overhead. These units' revenues are derived solely from internal resources.

Schedule 1 shows the relationship between each Ancillary Activity's primary operating revenue and its inclusion in the overhead allocation process.

Conclusion

In conclusion, we consider the current classification and costing system for Ancillary Activities to meet accepted fund accounting practices and best business practices for Oakland University. This system enables administration to monitor revenue, set realistic fees and budget costs of operating individual Ancillary Activities. The strength of Oakland University's Ancillary Activities is embedded in the "all funds" model, which we continue to recommend and support for the ten Ancillary Activities identified in Schedule 1.

Attachment

1. Schedule 1

**Submitted for Review by John W. Beaghan, CMA, Vice President
for Finance and Administration**

(Please Initial)

Reviewed by Secretary Victor A. Zambardi

(Please Initial)

Reviewed by President Gary D. Russi

(Please Initial)

**Oakland University
Ancillary Activities**

Schedule 1

	<u>Primary Operating Revenue</u>	<u>Included in Overhead Allocation</u>
University Housing	Rental Income	Yes
Meadow Brook Hall	Rental Income and Visitor Fees	Yes
Katke-Cousins and Sharf Golf Courses	Golf Fees	Yes
Meadow Brook Music Festival	Contract Income	No-Contract Income
Meadow Brook Theatre	Contract Income	No-Contract Income
Graham Health Center	Student Fees	Yes
Oakland Center	Student Fees and Rental Income	Yes
Campus Recreation	Student Fees	Yes
Intercollegiate Athletics	General Fund Support	No-General Fund Internal Support
Lowry Center for Early Childhood Education	Client Fees	No-Academic Program