

Repair and Replacement Reserve Administrative Policy

POLICY STATEMENT AND PURPOSE

The University has a significant number of assets that cost \$50,000 or more that are funded from departmental operating budgets. Departments may establish a repair and replacement reserve to accumulate funding for the replacement of these assets.

The requirements for the establishment of a reserve are as follows:

1. The specific equipment items to be funded must be identified.
2. The cost of the equipment must exceed \$50,000.
3. The reserve is to be utilized for equipment that would not be replaced on an annual basis by a department. In considering this criteria, the number of pieces of the type of equipment owned by the department and the necessity to maintain a specific model and/or year would be considered. For example, a department with 50 PCs, which are replaced over a 3 – 5 year cycle, would not qualify as good financial management would dictate the annual replacement of a portion of the inventory. However, a computer laboratory that had 50 PCs, which are replaced at one time to insure compatibility, would qualify.
4. The reserve must be funded on an annual basis. The amount will be determined by the University funding formula to ensure that funds are available for the replacement cycle. The annual transfers may be funded in advance if sufficient budget is available.
5. Funds in the reserve may not be returned to the operating budget.
6. Reserves may not be funded from sponsored program accounts or agency fund accounts. If the source of the funding is University funds, a local fund reserve may be established. Otherwise a State fund 0302 or 0306 reserve will be required.
7. The Senior Vice President for Finance and Administration must approve all reserve accounts upon the recommendation of the University Controller and the University Budget Director. Annually, the University Controller shall

prepare a report on the activity in the reserve accounts for the Senior Vice President.

WHO SHOULD READ THIS POLICY

Anyone who administers or manages departmental resources:

- Senior Executive Officers
- Deans, Directors and Department Heads
- Fiscal Administrators
- Finance and Administration Staff
- Administrative Toolkit Webmaster

RELATED DOCUMENTS

Repair and Replacement Reserve Procedures
Request for Establishment of a Repair and Replacement Reserve Account

CONTACTS

The University Controller can answer questions about establishing and maintaining a reserve.

TABLE OF CONTENTS

<u>Policy Statement and Purpose</u>	<u>1</u>
<u>Who Should Read This Policy</u>	<u>2</u>
<u>Related Documents</u>	<u>2</u>
<u>Contacts</u>	<u>2</u>
<u>Table of Contents</u>	<u>2</u>
<u>Definitions</u>	<u>3</u>
<u>Procedures</u>	<u>3</u>

DEFINITIONS

Agency Fund Accounts	Accounts within the 8 ledger that are not deposited with the State Treasurer or appropriated by the Appropriations Act and held for use as designated by a third party. Within the University accounting system, these fund numbers would be in the general ledger range ending in AF (ex. 2027AF) or organization range 880000 - 882999.
State Funds	All monies maintained in accounts that are deposited with the State Treasurer or appropriated by the Appropriations Act. Within the University accounting system, the accounts would be in ledgers 1, 2 and 3 and pool accounts in the 5 ledger and hospital services accounts in the 8 ledger.
Sponsored Programs	All accounts within the 5 ledger except pool accounts and central University reserves.
University Funds	All monies maintained in accounts that are not deposited with the State Treasurer or appropriated by the Appropriations Act. Within the University accounting system, the accounts would be in ledgers 4 and 6.

PROCEDURES

The establishment of a repair and replacement reserve requires:

- identification of qualified equipment by the department;
- determination of the replacement cost;
- determination of the replacement cycle;
- source of the replacement funding by account; and
- next replacement date.

Departments initiate the process by completing the "Request for the Establishment of a Repair and Replacement Reserve" form (attached). The form is to be approved by the Dean or Department Head and responsible Vice President before being forwarded to the University Budget Director and University Controller for review. The Senior Vice President will approve all repair and reserve accounts.

Upon approval, the University Controller will establish a repair and replacement reserve (in the XXXXPR and PRXXXX range). The organization will be assigned departmental attributes as opposed to those assigned to University accounts maintained by Facilities Management.

During the first quarter of each fiscal year, Financial Reporting and Analysis will transfer the required annual payment to the reserves as directed by the University Controller. All purchases of equipment will be made from the reserve organization. No transfers from the reserve will be allowed except for transfers to approved capital projects.

Departments may fund future year transfers should budget be available.

State reserves will be maintained in State fund 0302 Program 11004 or State fund 0306 Program 809. Local reserves will be maintained in the University operating pool. Reserve accounts will not accrue any investment return.

In the absence of donor restrictions, repair and replacement reserves are considered unrestricted University resources and may be reallocated by the President of the University.