

3358:11-1-12 Financial standards policy.

- (A) Policy statement. The purpose of this rule is to institute financial standards so for any fiscal year, whole or part, the financial condition of the college maintains a generally acceptable level of prudent professional financial management and foresight.
- (B) Strategic standards.
 - (1) The board of trustees finance committee may meet up to five times during the academic year, unless the committee chair deems otherwise for a certain fiscal period.
 - (2) Reserve/net asset requirements. The college shall maintain a financial reserve or net asset requirements, as follows:
 - (a) Unrestricted educational and general current operating fund. The undesignated reserve within this fund balance should be greater than or equal to fifteen per cent of this fund's total prior year annual expenditures and transfers.
 - (b) Unrestricted auxiliary fund. The undesignated reserve within this fund balance should be greater than or equal to ten per cent of this fund's self-operated prior year annual revenues.
 - (i) Insurance claims reserve. Within the auxiliary fund type, an insurance claims reserve shall be established and maintained to protect against unforeseen liability claims. This reserve shall be set aside to protect against future liability, health insurance and workers' compensation claims.
 - (ii) To ensure needed funds are available for future unforeseen claims, the fund shall reserve, two years liability deductible, three months health insurance claims and annual workers' compensation deductible. The target reserve shall be established at one million dollars.

- (c) Unrestricted plant fund. The undesignated reserve within this fund balance should be greater than or equal to two per cent of investment in plant. Investment in plant means the original book value (prior to any depreciation) of land improvements, buildings, and building improvements.
 - (d) Use of reserves. Reserves shall only be utilized in emergency situations. Owens community college will strive to adopt a budget where current revenues meet or exceed current expenditures for all funds. When Owens community college is required to use reserves as a short-term solution to resolve an immediate situation, (for example, adjusting to state funding cutbacks, decrease in tuition rates, court action, or to cover upfront costs of a potential liability claim), due to unforeseen circumstances in the unrestricted fund, it must be disclosed to the board of trustees at the next board meeting, and a plan to eliminate the use of reserves in the annual budget must be prepared in the five-year planning process. In addition, all other funds shall have a balanced budget. Any shortfall not covered by revenues shall be covered by transfers from the unrestricted fund.
- (3) Long-range forecast. A long-range five-year forecast shall be prepared and presented as a component of the annual budget presentation to the board of trustees, which includes the institution's expected financial trends under clearly stated assumptions:
- (a) The institution's expected financial performance as compared to the institution's maintenance of a financial reserve or net asset requirements.
 - (b) A reporting of financial dashboard metrics.

- (C) Reporting. For the board of trustees to take a required action, it is essential that data, information, reports and recommendations flow regularly from the president or administrative designee to the board, which shall be accomplished through separate, or any combination of, finance, personnel, planning, committee reports or the president's recommendation to the board.
- (1) Regular meetings of the board. The regular meeting agendas shall include reports from:
 - (a) Finance. Included in these reports are a financial analysis narrative and the presentation of the interim (monthly) financial statements. Additionally, a report of purchase orders, bids and expenditures where the amount is fifty thousand dollars or more.
 - (b) Personnel. Included in these reports are position vacancies and other personnel changes.
 - (c) Planning. Included in these reports will be annual plans, goals and budgets and any interim progress reports on such matters; however, such may be incorporated into a finance report.
 - (d) Budget. A change to the budget that changes the board-adopted net gain/loss in position must be approved by the board of trustees. A change to the budget within a division or account level, must be approved by the treasurer/chief financial officer.
 - (2) Finance committee meetings of the board. The finance committee meeting agendas shall include a financial narrative report, which may include a financial analysis, interim (monthly) financial statements, quarterly reports, financial dashboard metrics, annual budget, year-end financial statements (prior to the board receiving the annual budget and year-end audited financial statements).
 - (3) Balance sheets. The interim (monthly) and year-end financial statements shall include the presentation of balance sheets.

- (4) Treasurer. The treasurer/chief financial officer shall identify, document, and communicate the magnitude of positive or negative financial trends and the subsequent impact of operational or financial changes in the presentation of interim (monthly) financial statements, quarterly or year-end reporting and the annual budget.

Attest. The treasurer/chief financial officer shall attest to the board the institution's maintenance, or lack thereof, of minimum or projected minimum, financial reserve or net asset positions with the adoption of the annual budget and at each occurrence a financial report is presented to the board.

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