# 600.111 FINANCIAL RESERVES POLICY

## A. POLICY

Adequate fund balance and reserve levels are necessary components of the college's overall financial management strategy and key factors in assessing the college's financial strength and fiduciary integrity. Maintenance of a fund balance assures adequate resources for cash flow and mitigation of short-term revenue shortages, and enables multiyear planning for self-support program improvements. Expenditures drawn from reserve accounts shall require prior approval from the president, unless previously authorized for expenditure within the college's annual budget. Notice of such action will be presented to the board of trustee’s audit committee at their monthly meeting.

## B. DESIGNATED FUND RESERVES

The college will maintain a reserve for designated programs, including auxiliary services and self-support programs, to provide for adequate cash flow, multi-year planning, and operating contingencies. Programs will be designated by the president or president's designee. The reserves will be not more than 15 percent of each fund's operating expenditures, unless a different level is necessary to sustain its operations.

## C. CAPITAL RESERVES

The college will maintain, as necessary, a local capital reserves account to manage facilities needs that are not funded or are underfunded by the state. These funds will be designated as capital reserves by the president or president's designee.

## D. BOARD FUND BALANCE RESERVES

The college will maintain an annual board fund balance reserve. At the start of each fiscal year, 5 percent of the operating budget expenditures will be designated to this reserve for special board initiatives and unbudgeted emergencies at the board's discretion. The fund balance is not to exceed 25 percent of the annual operating budget. Once a fund balance of 25 percent of the annual operating budget is reached, the designated 5 percent will be allocated to a student experience enhancement fund and distributed at the discretion of the president or designee.

## E. GENERAL FUND BALANCE RESERVES

The college will maintain a general fund balance reserve to provide for such items as adequate cash flow, emergencies, budget contingencies, multi-year planning, revenue shortfalls, unplanned but necessary expenditures, or operating changes that occur outside of the planned annual budget. The general fund balance reserves will be 15 percent of the college's operating budgeted expenditures unless a different level is necessary to sustain operations.

## F. RESTRICTED RESERVES

The college will maintain all other funds required by law that are restricted as to type of use complying with federal, state, grantor, and office of financial management rules.

Approved by the president’s cabinet: 10/16/18

Adopted by the board of trustees: 5/20/09, 11/21/18

Last reviewed: 6/28/22

Policy contact: Administrative Services

Related policies, procedures and other information

1600.111 [Financial Reserves Procedure](https://www.wvc.edu/humanresources/policies-procedures/600-administrative-services/600.111-financial-reserves.html)

Fiscal Affairs Manual

State Administrative & Accounting Manual