



AP 6305 Reserves

References: Budget and Accounting Manual, Chapter 5; Appendix A

Approved: December 21, 2022

Last Revised:

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The District's ending reserves/fund balance may be structured into three subcategories:

1. The Fund Balance Reserved (Restricted) will include that portion of the fund balance that is (1) legally restricted to a specific future use, or (2) not available for appropriation or expenditure. The nature and source of restriction in the Fund Balance Reserved account is external (i.e., the restriction is due to factors beyond the control of the District).
2. The Fund Balance Designated will be that portion of the unrestricted fund balance for which the governing board has indicated by resolution and/or approval, its plans for use in a future period. Such board designations will reflect an "intent", which may be changed by subsequent resolution and/or approval.
3. The Fund Balance Unrestricted may be used for any portion of the fund balance not reserved or designated, as defined above, and is available for future appropriations by the Board of Trustees.

The Board of Trustees shall adopt, in the annual budget, an unrestricted reserve sufficient to protect the District's financial stability when anticipated revenues are not realized and/or unanticipated expenses are encountered during the fiscal year. An unrestricted reserve fund is an established prudent fiscal management tool, which buffers cash flow fluctuations and provides a resource for contingencies and reasonable, yet unforeseen, operational needs.

The District shall maintain unrestricted General Fund reserves of no less than two months of regular unrestricted general fund operating expenditures as recommended by the California Community Colleges Chancellor's Office and the Government Finance Officers Association. This unrestricted reserve will be no less than fifteen percent (15%), with a goal/target of twenty-five percent (25%), of the budgeted unrestricted general fund operating expenditures.

The reserve requirement may be suspended during a fiscal emergency and will be restored once the fiscal emergency has been declared over. Plans will be made to adjust revenues and expenditures as needed to meet the current economic situation to avoid long-term use of reserves as a financing bridge.

In the event the unrestricted general fund reserves fall below the minimum set forth in this procedure, the Superintendent/President shall include in the annual budget preparation to the Board a plan to meet the minimum general fund reserves. The reserves will be restored as soon as practical (within one to three years) but in a way as to not create further financial instability.

Should the unrestricted general fund reserves exceed the goal/target set forth in this procedure, the Superintendent/President will present to the Board of Trustees for approval, a plan to designate, manage or spend down the reserves for items identified for long-term, capital or one-time needs.