

## CCS Administrative Procedure

### 5.20.04-B Designated Reserves

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Implementing Board Policy [5.20.04](#)  
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#### 1.0 Purpose

To establish procedures by which each budget unit and the district can designate unencumbered (unrestricted) funds to address one-time costs related to unexpected emergencies or other non-recurring expenditures such as capital projects, debt service, asset maintenance, insurance, contingencies, catastrophic events, and strategic planning initiatives.

#### 2.0 Definitions

- 2.1 Unit—Spokane Community College (SCC), Spokane Falls Community College (SFCC), District, including Administrative Services, Facilities, Instructional Support Services and Campus Support Services.
- 2.2 Executive Administration—the respective unit executive with delegated budget authority for that unit. For district (CCS-wide) designations, the respective executive is the chancellor as advised by the executive cabinet (college presidents and chancellor direct-report administrative officers).
- 2.3 Components of fund balance for designated reserves:
  - 2.3.1 Restricted fund balance—externally enforceable limitations on use such as:
    - 2.3.1.1 Limitations imposed by creditors, grantors, contributors, or laws and regulations or other governments.
    - 2.3.1.2 Limitations imposed by law through constitutional provisions or enabling legislation.
  - 2.3.2 Committed fund balance—self-imposed limitations for a specific purpose determined by executive administration. Requires action by executive administration to remove or change the constraints placed on these resources. Action to constrain resources occurs prior to year-end; however, the amount can be determined in a subsequent period.
  - 2.3.3 Assigned fund balance—amounts that are intended to be used for a specific purpose, as determined by executive administration with delegated budget authority.

#### 3.0 Limitations and Requirements

- 3.1 Designated reserves will be combined into a Designated Reserve account at each unit in the fund type designated by the Office of Financial Management (OFM). Individual reserve accounts are not required for each designated expenditure category; however, OFM may require separation by fund type.
- 3.2 Designated reserve accounts will be funded by unrestricted surplus funds as determined by the respective executive administration.
- 3.3 The respective executive administration directs specific fund sources for designated reserve.

#### 4.0 Expenditures from Designated Reserve Accounts

- 4.1 Capital Projects

- 4.1.1 Capital project costs for a unit's capital improvement program including, but not limited to unforeseen capital projects that are necessary to meet regulatory requirements, system reliability, equipment, future operation space needs and/or related expenditures.
  - 4.1.2 Reserve funds can be used to fund campus infrastructure needs related to capital projects not funded through state capital operations, immediate capital projects, or saved over several years to pay for future projects.
  - 4.1.3 The designated reserves for capital projects should be set to fund 100 percent of the capital project cost within five years.
- 4.2 Debt Service
- 4.2.1 Debt service designated reserves are a restricted reserve governed by legal requirements associated with that debt and provides an emergency funding source should the unit be unable to meet the required debt service obligation.
  - 4.2.2 The designated reserve goal should be maintained at a level sufficient to fund the maximum annual debt service payments.
  - 4.2.3 A separate debt service reserve account will be maintained when legally required by the funding source.
- 4.3 Asset and Infrastructure Maintenance
- 4.3.1 Asset and infrastructure maintenance costs to ensure CCS assets and infrastructure are maintained to prevent loss of use and to minimize the cost of repair or replacement to essential assets needed for service delivery. An additional purpose is to ensure CCS assets and infrastructure continue to provide a safe and healthy work and learning environment to faculty, staff, students and the public.
  - 4.3.2 The target set-aside can be determined using an assessment of costs by the director of facilities provided to the executive cabinet on an annual basis, or 10 percent of CCS' net fixed asset balance at June 30.
- 4.4 Contingencies or other Catastrophic Events
- 4.4.1 Reserves to protect against financial losses due to unforeseen expenses such as financial losses due to estimation, natural disasters or catastrophic events. Examples of expenditures from contingency designated reserves are unemployment, insurance, rent, utility, and tuition estimates.
  - 4.4.2 The designated reserve goal(s) are based on the specific type of expense or loss recovery. Historical and future trends can be used as a basis for determining the designated reserve.
- 4.5 Strategic Planning and Other Organizational Initiatives
- 4.5.1 Strategic planning and other organizational designated reserves provide funds to meet the initiatives outlined in the CCS or unit-specific strategic plan, or other unit defined initiatives that further the mission of CCS.
  - 4.5.2 The designated reserve goal(s) are to further the strategic plan's stated goals and objectives, or otherwise further accomplishment of the CCS and/or unit mission.

## 5.0 Use of Designated Reserves

- 5.1 Designated reserves shall be used only for one-time operating expenditures, including funding the planning/start-up cost of that initiative. The designated reserves are one-time revenues and not appropriate nor intended for ongoing expenses.

- 5.2 Authority for use of designated reserve is delegated to the respective executive administration.

**6.0 Reporting and Monitoring**

- 6.1 A report of designated reserve balances as of June 30<sup>th</sup> shall be prepared annually by the accounting and budget office and included in the CCS annual financial statements. .
- 6.2 Unit budget managers are responsible for monitoring the designated reserve accounts to ensure the designated reserves are appropriately funded and maintained in accordance with this procedure.
- 6.3 Designated reserves will be segregated into separate accounts if required by OFM accounting standards and will be presented in the annual financial statements in its component of fund balance.
- 6.4 Designated reserve balances, including the uses and/or replenishment of funds, if any, will be included in the chief financial officer's annual financial report to the board.

**7.0 Related Information**

- 7.1 [Governmental Accounting Standard Board](#) (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions
- 7.2 [Northwest Commission on Colleges and Universities](#), Standards for Accreditation (revised 2010), Standard Two – Resources and Capacity