

PACIFIC COLLEGIATE SCHOOL
POLICY AND PROCEDURE

FINANCIAL RESERVE MANAGEMENT POLICY

- I. **PURPOSE:** The purpose of this policy is to establish guidelines for the Pacific Collegiate School Board of Directors to manage its accumulated, discretionary cash reserves.
- II. **POLICY:** It is the policy of the Pacific Collegiate School to manage its discretionary cash reserves in a manner consistent with Generally Accepted Accounting Procedures and the long term fiscal health of the School. In this regard the following procedures apply
- III. **PROCEDURES**
 - A. **RESERVES:** The reserve is defined as accumulated annual revenues in excess of annual expenditures, and a one-time source of funds. Reserves can be designated or undesignated. Undesignated Reserves can be appropriated, as approved by the Board of Directors, for one-time budget expenditures during the budget process.
 - B. **EMERGENCY RESERVE:** The emergency reserve shall be designated and included in the annual budget at an amount of no less than 17% of budgeted expenditures. This emergency reserve shall also include the 5% reserve required by the California Education Code.
 - C. **EQUIPMENT REPLACEMENT FUND:** To be managed in a manner consistent with the School's Capitalization Policy, the Equipment Replacement Reserve Fund shall be designated in a fund, separate from the General Fund, and shall accumulate cash for the replacement of all Capital Equipment or Capital Equipment Groups. For the purposes of this policy a Capital Equipment Group shall be a group of like items the value of which may not individually qualify as capital equipment, but do so when purchased in bulk. Examples of such Capital Equipment Groups would be computer hardware and software or textbooks. The Superintendent or the Board Treasurer shall have the authority to determine Capital Equipment Groups. Each year as part of the budget process, the General Fund should transfer an amount into the Equipment Replacement Fund equal to the amount of accumulated depreciation of itemized Capital Equipment or Capital Equipment Groups as identifies in the Capital Equipment Spreadsheet. When it is necessary to replace a piece of Capital Equipment, or Equipment from an Equipment Group, that replacement expense shall be appropriated, through the budget process, in the Equipment Replacement Fund.
 - D. **CAPITAL EQUIPMENT SPREADSHEET:** The Capital Equipment Spreadsheet shall consist of a listing of each piece of Capital Equipment, or Capital Equipment Group, and the life of such equipment, an inflation rate, and annual accumulation of

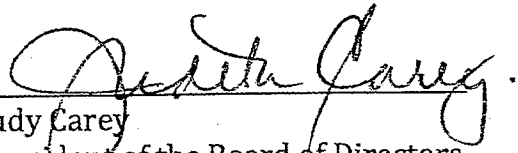
depreciated value. The total depreciated values of all itemized equipment shall be the minimum amount of funds in the Capital Equipment Replacement Fund.

E. CAPITALIZATION POLICY: Any item that is worth \$5,000 or greater shall be capitalized.

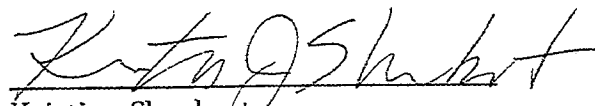
F. UNDESIGNATED RESERVES: Undesignated Reserves are the unreserved funds remaining in the General Fund at the end of the fiscal year. Undesignated Reserves are considered a one-time source of funds; however, since they earn interest, Undesignated Reserves contribute to ongoing revenues. Undesignated Reserves may be appropriated for expenditure during the budget process, but in doing so and unless the Board declares a fiscal emergency, the following conditions shall apply:

1. Undesignated Reserves shall only be appropriated for a one-time expenditure.
2. Budgeted interest earnings must be reduced to reflect the reduction of the Undesignated Reserves.

Adopted by the Board on 1/9/08



Judy Carey
President of the Board of Directors



Kristina Shurbert
Secretary to the Board