

**LOKER UNIVERSITY STUDENT UNION, INC.
RESERVE ACCUMULATION POLICY**

PURPOSE

The purpose of this policy is to provide criteria for the Loker Student Union (LSU) Board of Directors, LSU management and university staff to measure the adequacy of LSU corporate reserves and to act as a guide in allocating corporate reserves for repairs, replacements, facility modifications, and other special projects.

- The Loker Student Union shall maintain reserves in the following locations:
 - Local – those held within the operating accounts of the Loker Student Union
 - Campus – those held within accounts designated for the Loker Student Union within the campus accounting system
- The Loker Student Union shall maintain reserves in the following categories:
 - Major Maintenance and Repair/Capital Renovation and Upgrade (also referred to as Building Repair and Replacement)
 - Working Capital
 - Catastrophic Events
 - Equipment/Furnishing Repair/Replacement
 - Special Projects

As needed, a reserve for Capital Development for New Projects reserve may be established by action of the Board.

LOCAL RESERVES

Local reserves are accounted for in the General Ledger in distinct accounts and invested in the Local Agency Investment Fund (LAIF). Expenditure of these funds requires Board approval.

- **Operating Capital Reserves** - The LSU shall maintain operating capital reserves to be used to provide operating capital, produce interest income for operating expenses, and serve as a reserve for unanticipated business expenses. Operating capital should equal 2 months of prior year operating expenses (on campus operations) and will be evaluated annually during the budget process.
- **Equipment/Furnishings Repair/Replacement** - Equipment/Furnishings Reserves shall be maintained to spread out the cost of equipment and furnishing repair and or replacement over time. While an inventory of furnishings, fixtures and equipment is being compiled, a target of 25% of the gross total spent to acquire Group II furnishings (\$1,100,000) for the building will guide in the development of this policy.

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4/06/07
Adopted 9/22/00
LSU Board of Directors

- **Special Projects Reserves** - Any additional excess funds set in reserve to finance special projects as approved by the board of directors. Funds from this reserve may, upon board approval, be transferred to fund reserve needs in other reserve categories.

RESERVES HELD AT THE CAMPUS

Campus reserves are accounted for in the campus general ledger and are invested according to campus policy, with interest allocated to the accounts according to their balances.

- **Major Maintenance and Repair/Capital Renovation and Upgrade (also referred to as Building Repair and Replacement)** - Major Maintenance and Repair/Capital Renovation and Upgrade Reserves shall be maintained to provide a method to spread costs for replacements, major repairs, capital improvements and or upgrades evenly across budget years and to reserve for anticipated future needs. Reserves shall be funded annually through an allocation from the operating budget based on average annual costs for projected repairs and replacement needs.
- **Working Capital Reserves** - The LSU shall maintain working capital reserves to be used to provide working capital, produce interest income for operating expenses, and serve as a reserve for unanticipated business expenses. Working capital balance should target a balance equal to 10 percent of prior year operating expenses (revenue fund) and will be evaluated annually during the budget process.
- **Catastrophic Events** - The LSU is insured through purchased and or pooled insurance programs in conjunction with the Auxiliary Organizations Risk Management Alliance, a service of the CSU Risk Management Authority. While insurance covers a wide variety of catastrophic event loses, very often there are significant deductibles associated with these policies. The catastrophic event reserve shall target funding for reserves to cover two full deductibles at the highest rate, currently \$100,000 per occurrence.

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