

Surfside Colony Community Services District

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2023-24 CASH RESERVE POLICY

Background

California Government Code Section 53600 subjects all governing bodies of local agencies to the prudent investor standard which requires the Board to act with care, skill, and prudence to safeguard principal and maintain liquidity needs of the agency when investing, purchasing, acquiring or managing public funds.

General

Based upon prudent financial management practices as required by legislative obligations, the appropriate level and separation of reserves is critical to the financial health of the District. It is the goal of this policy to establish those reserve funds and the minimum amount to be maintained by each.

Policy

The financial management objectives of the District, as well as its enabling legislation, warrant the provision of an adequate budgeted reserve at the beginning of each fiscal year. The Board authorizes and directs that the following reserve funds be established and further directs that the minimum amount of each reserve fund shall be, or shall be calculated to be, as follows:

- (1) General Reserve Fund: This fund is established to offset unexpected revenue shortfalls and/or unanticipated expenses in order for the District to operate in an uninterrupted manner for a period of 6 months despite unforeseen circumstances or events significantly affecting budgeted amounts. This Reserve Fund is calculated as six months of Total Budgeted Services and Supplies for the 2023-24 Fiscal Year as \$329,649.
- (2) Project Repairs/Improvements Reserve Fund: This fund is established to accumulate resources which may be used to fund upcoming community projects that repair, rehabilitate, or replace community assets, approved by the District's Board at the beginning of each fiscal year, and as allowed by the District's governing code. This reserve shall be funded with excess funds available at the end of each preceding fiscal year to the extent allocated by the District's Board after the above Reserves have been adequately funded. These Funds shall be cancelled to the extent used to fund Board approved Project Repairs and Improvements. After Funding FY 2023-24 Board Approved Budgets and Projects, the balance is \$76,596.

The General Reserve Fund and Project Repairs/Improvements Reserve fund balances are evaluated on an annual basis during the creation and adoption of the District's Final Fiscal Year Budget.