

Policy No. 422

Area: Finance

*Original signature on file in
Administration and Finance*

Adopted: February 3, 2017

Certified by _____
Dr. Cynthia Jackson-Hammond
University President

Revisions Adopted:

SUBJECT: Unrestricted Fund Balance Policy

INTRODUCTION:

A. SCOPE AND PURPOSE

This statement of Unrestricted Fund Balance policy (the “Policy”) specifies the guidelines and objectives for Central State University (“CSU” or the “University”) maintaining a prudent level of financial resources to safeguard against unexpected temporary revenue shortfalls or unpredicted expenditures.

This Policy establishes the amounts the University should maintain in its Unrestricted Fund Balance to provide stability and flexibility in order to respond to unexpected adversity and/or opportunities.

POLICY:

B. ROLES AND RESPONSIBILITIES

The Policy defines the roles and responsibilities of University management, the Investment Committee, and external advisors and investment managers.

CSU Administration: The Vice President for Administration and Finance & CFO (VP) implements and reviews reporting of cash reserve strategies as required to the Finance Committee and the Board of Trustees. It is the responsibility of the staff to monitor both cash balances and the University’s Unrestricted Fund Balance.

Finance Committee: The Finance Committee provides broad, strategic oversight of the University’s cash balances and Unrestricted Fund Balance, including, communicating clearly the major duties and responsibilities of those accountable for monitoring these balances; monitoring and evaluating results to assure that the Policy is being adhered to and the objectives are being met; approving actions to be sent forward to the full Board of Trustees for approval and action by the VP, and undertaking such work and studies as may be necessary to keep the Board of Trustees of the University adequately informed as to the status of the University’s cash balances and Unrestricted Fund Balance.

On a day-to-day basis, the Finance Committee is represented by CSU's VP, who acts as the liaison for communications between the Finance Committee and the Board of Trustees.

Board of Trustees: The Board of Trustees ensures that annual appointments of Trustees have been made to serve on the Finance Committee and duly considers all actions forwarded by the Finance Committee. The Board may delegate investment decision making authority to the Finance Committee to act on its behalf as may be desirable to ensure the timeliness of any actions the VP has been directed to take.

C. UNRESTRICTED FUND BALANCE OBJECTIVE

The University will maintain a minimum level of Unrestricted Fund Balance equivalent to three months of regular, on-going operating (Education and General) expenditure. This will be measured on a monthly basis, as soon as month end financial statements are produced.

D. CASH BALANCE OBJECTIVE

To provide liquidity sufficient to meet the needs and demands of the University, cash balances will be monitored and managed on a daily basis so as to minimize the impact of unanticipated reductions in revenues or unplanned increases in expenditure. A minimum of \$1,000,000 shall be maintained in the University's Operating Account, with any excess funds being deposited in the University's Money Market Account.

E. REPLENISHMENT OF UNRESTRICTED FUND BALANCE

The unrestricted cash reserve annual target will be included in the development of the annual budget and five year forecast. This target will be presented and approved during the annual budget submission to the Board of Trustees. In the event that the Unrestricted Fund Balance falls below the two months minimum requirement, a plan will be developed to replenish the fund immediately.

F. APPROVAL AND REVIEW

This Policy as approved by the Board of Trustees of the University shall be reviewed regularly for appropriateness by the VP. Modifications to the Policy may be proposed from time to time. However, to enforce the principles of flexibility and adaptability, the CFO in consultation with the Finance Committee shall review the need for any changes at least annually and make a recommendation to the Board.

G. DEFINITIONS

Unrestricted Fund - The chief operating fund of the University used to account for all financial resources not accounted for in Restricted Funds and Funds Invested in Capital Assets. For the purposes of this policy, the impact of GASB68 will be excluded from the calculation of the Unrestricted Fund Balance.

Cash Balance – The sum of the University's cash and cash equivalents.

Cash Equivalents – Short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates.