	Accounting Procedures Manual Section 7 – General Fund-Fund Balance-Reserve Policy
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Prior Versions:	

General Fund – Fund Balance/Reserve Policy

Reserves are the foundation of the sustainable delivery of core services. Through prudent reserves, special districts offer taxpayers and ratepayers significant benefits…

Special District Reserve Guidelines, Second Edition
California Special Districts Association

OPERATING FUND RESERVE

Approximately 90% of the Ordinary Operating Expenses of the District are provided by taxation revenues from several sources. The majority of those revenues are received twice per fiscal year in December and April when the County Tax Collector receives and apportions the funds. Consequently, the Board of Trustees has determined that an appropriate Operating Fund Reserve is six months of Ordinary Operating Expenses. At the present time, a six-month expense reserve is approximately $400,000.

ASSET REPLACEMENT RESERVE FUND

The District owns the building in which library operations are conducted. There are two major building systems that have useful lives less than that of the actual structure: the heating and cooling system and the roof. The Board of Trustees has determined that funds should be set aside to pay for replacement of both systems when it is determined that it will be more cost effective to replace them than to repair

them. The Capital Equipment Fund Reserve will be considered fully funded when fund levels reach the following amounts:

BUILDING SYSTEM	REPLACEMENT COST	USEFUL LIFE	ANNUAL CONTRIBUTION
Heating and Cooling	$125,000	20 years	$6, 250
Roof	$150,000	30 years	$5,000

EXPANSION FUND RESERVE

As the size and population of the library service area grow, there will come a point when the library will need to add additional space to the existing facility and/or remodel existing space, create a new facility, or both. This is especially true in view of the planned 1500 homes forecast for the Harvest at Limoneira project. While it is anticipated that much of the funding for expansion will come from donations, the Board of Trustees has established an Expansion Reserve Fund to help pay for larger facilities. At this time, the Board has established a fund limit of $3 million.