

TITLE **RESERVE FUNDS POLICY**

SUBJECT **AZTEC SHOPS FINANCIAL STANDARDS FOR RESERVE FUNDS**

BACKGROUND

California State University Policy states that the establishment of adequate reserve policies for CSU auxiliaries is required to meet the California State University financial standards established in Education Code, Section 89904(b). Section 89904(b) states that auxiliaries shall implement financial standards that will assure fiscal viability by the establishment of reserve funds for current operation and capital replacement.

GENERAL DESCRIPTION

The purpose of this policy is to provide the basis for the annual review of fiscal viability, to comply with accepted accounting principles relative to balance sheet presentation of reserves, and to provide the criteria for distribution of reserves.

TERMS AND DEFINITIONS

Sources of Funds:

Aztec Shops Ltd., sources its operating capital from the following:

- Income from commercial operations
- Investment income

Use of Funds:

Aztec Shops expends funds for current business operations and designated programs.

Reserve Funds:

Reserves are generated from an excess of revenues over expenditures of Aztec Shops Working Capital.

Appropriations:

Appropriations are annual allocations of reserves to the following Board-designated provisions:

- Working Capital & Current Operations
- Capital Equipment Acquisition /Capital Development (Facilities Construction)

APPROPRIATION TO RESERVES

Excess revenues will be allocated annually to the following reserve categories until such level of funding is attained according to the following requirements:

Working Capital and Current Operations

This appropriation will be maintained at a level sufficient to provide for at least 60 days of normal operating expenditures for all Aztec Shops operations.

Capital Equipment Acquisition / Capital Development

The amount of this appropriation will provide a sufficient amount of funds as determined by the Board of Directors on an annual basis to meet strategic plan objectives for future acquisition or replacement of major equipment items. Such items include the Aztec Shops data processing system as well as equipment required for the efficient operations of the Food Service and bookstore operations.

The amount of this appropriation will provide a sufficient amount of funds as determined by the Board of Directors to meet strategic plan objectives for future capital development projects.

USES OF RESERVES

All funding and expenditures from the above appropriations will be reviewed by the Board of Directors. Expenditures will be in accordance with the annual budget as approved by the Board and the President of San Diego State University.