



First Nations
**FINANCIAL
MANAGEMENT
BOARD**

CAPITAL ASSET RESERVE ACCOUNT GUIDE

How can a reserve account benefit my First Nation?

A reserve account supports your First Nation's capital planning. Although we know there may never seem to be enough funding, a reserve account supports a First Nation to save funds to offset the cost of renovations, improvements, maintenance and repairs, and new capital investments. Like a savings account, a reserve account is a way to plan for and set aside funds to help achieve future goals, maintain and improve existing assets.

A reserve account is like a savings account for your future goals and projects

Who is responsible for the reserve account?

Council is responsible approving the reserve account, the policies and rules for the account, and any transactions.

The **Finance and Audit Committee** reviews reports and financial information on the reserve fund. They provide recommendations to Council on the budget and schedule for capital assets and projects.

The **Chief Administrative Officer** oversees Council's policies on the reserve account, while the **Director of Finance** manages the account, develops budgets/schedules, and monitors and reports on the account.

How can I set aside funds for the reserve account?

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Many First Nation governments use specific strategies to save money in a reserve account. Some of those strategies include the following:

- Planned amounts, as set out in a First Nation's annual budget and multi-year financial plan
- Surplus from fund-raising efforts
- Surplus from administration charges
- Trust fund investment income, if allowed per the trust rules

When considering how much to invest in the capital asset reserve account, look at what dollar amount is required for current and future capital assets and when it will be needed. Funds set aside within the capital asset reserve could be invested, in accordance with the First Nation's Investment Policy.



Creating and funding a reserve account is seventh generation thinking. It supports a First Nation's plans and budgets to make future goals a reality.

What do I need to remember when my First Nation sets up a reserve account?

- ✓ What rules do we need for the account?
- ✓ Who will be authorized signatories for the account?
- ✓ What funds do we already require for current and future capital assets?
- ✓ Are we planning for the short-term AND long-term costs (maintenance etc.) of our capital assets?
- ✓ Council must approve all capital asset reserve fund transactions.

To learn more about specific investment concepts and strategies, we encourage you to seek professional or legal advice early in the process.