

**Effective Period:** Until superceded  
**Review Schedule:** Annually  
**Effective Date:** 02/01/2018  
**References:** N/A



## **Operating Reserve Policy**

### **1. PURPOSE**

The purpose of this policy is to establish the amount of the Operating Reserve (fund balance) to be maintained by the Colorado City and County Management Association (CCCMA). Establishing an appropriate level for the Operating Reserve serves two primary purposes:

- 1) It helps to insulate the organization from fiscal instability, such as a large unanticipated decrease in revenue or increase in expense; and
- 2) It ensures that members receive value from the funds received by CCCMA by encouraging the use of revenue that is in excess of the target operating reserve to benefit the membership.

### **2. POLICY**

#### **a. Operating Reserve Target**

The target for the operating reserve will be 50% of the budgeted annual operating expenses for CCCMA. The calculation of the budgeted annual operating expenses shall include all recurring predictable expenses (including the annual conference), but shall not include depreciation, in-kind, other non-cash expenses, pass-through program expenses, one-time or unusual expenses, or capital purchases.

#### **b. Accounting**

The Operating Reserve will be composed of cash and/or cash equivalent assets and will be recorded in the budget and on the balance sheet as “Board-Designated Operating Reserve”.

#### **c. Use of Operating Reserve**

The Operating Reserve may be used to cushion the organization from a sudden increase in expenses, a large one-time unbudgeted expense, unanticipated revenue decreases, or uninsured losses. The intention is for reserve funds to be used and replenished within a reasonably short period of time. The Operating Reserve is not intended to replace the permanent loss of funding or to eliminate/reduce an ongoing budget gap. The Board of Directors must approve any use of the Operating Reserve.

Approved:

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Ron LeBlanc, President

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Date