

Section:	FB-4 Finance and Business Services	Approval Date:	3/25/2016
Policy:	FB-4.4 Reserves	Latest Revision:	7/28/2017

FB-4.4 Reserves

4.4.1 Purpose

The Association has established reserves to meet obligations and facilitate budgeting and long-range financial planning. The Association will maintain reserves to fund budgeted operating and capital requirements, in addition to reserves that represent valid long-term obligations reportable under current accounting standards on the Association's financial statements. For purposes of this Reserves Policy, the term "Available Funds" will mean unrestricted cash and investments less deferred revenue with the regions' Fund-Raising/Event carryover budget amounts considered restricted. During the budgeting process, the Board will consider the adequacy of projected reserve levels throughout and at the end of the budgeted year.

4.4.2 Operating Reserves

An Operating Reserve will be maintained to provide a means of funding variations in cash flow as part of normal operations in addition to having funds available to meet any unexpected and significant expenses. Operating Reserves will equal two months of budgeted expenses.

Management has the discretion to supplant up to one month of cash operating reserves with a bank line-of-credit. Two months of budgeted expenses would be maintained as operating reserves, with freed-up cash adding to other reserves balances, which would be available to pay down debt balances, such as OPEB or pension obligations.

4.4.3 Capital Asset Reserve

A Capital Asset Reserve will be maintained to provide funding for capital assets budgeted (or included in long-range planning) but not yet fully funded. The Capital Asset Reserve balance will equal the lesser of (1) Available Funds less the Operating Reserve balance or, (2) the cost of capital assets budgeted and not yet funded.

4.4.4 Other Reserves

Available Funds in excess of the Operating and Capital Asset reserves will be maintained in a Pension Obligation Reserve, OPEB Reserve, Advance Dues Deposit Reserve and/or any reserve that represents a valid long-term obligation reportable under current accounting standards on the Association's financial statements. The excess Available Funds will be allocated to these other reserves at management's discretion and not exceed the reportable balance of the related liability under current accounting standards.

4.4.5 Expenditures not Budgeted

Expenditures in excess of \$10,000 and not included in the budget or covered by budget transfers must be approved by the Board.

References:

Previous Board Policy G.6.

See Administrative Procedure: *To be determined.*

Revision History:

Revision Date	Description of Changes	Requested By
3/25/2016	Initial Release	ACWA Staff and Finance Committee
9/30/2016	Revised Policy 4.1.2, Operating Reserves, to require the funding requirement be set at the equivalent of two months instead of three months of budgeted expenses; change was part of 2017 Budget recommendation.	ACWA Staff and Finance Committee
7/28/2017	Revised Policy 4.4.2, Operating Reserves, to allow for a line of credit to supplant Operating Reserves, and provide flexibility so that management may use cash reserves to reduce costly OPEB or pension obligations. Policy renumbered from FB-4.1 to FB-4.4 for organizational purposes within the section.	ACWA Staff, Governance Workgroup and Finance Committee