

**DEVELOPMENTAL DISABILITIES RESOURCE BOARD
OF CLAY COUNTY MISSOURI**

OPERATING RESERVE FUND POLICY

Approved March 29, 2005

Revised: September 28, 2021

DEVELOPMENTAL DISABILITIES RESOURCE BOARD OF CLAY COUNTY MISSOURI

Policy for Operating Reserve Fund

General Purpose Statement: The Operating Reserve Fund provides a targeted or pre-determined level of protection in the event of a financial emergency or interruption of cash flow. The existence of such a Fund allows for the provision of essential and statutorily enumerated services and supports that are critical to the support of vulnerable persons.

Specific Purposes of an Operating Reserve Fund:

- The local tax levy is only one component of the county board's revenue sources. While the tax levy may be fairly constant and/or predictable, other funding sources upon which The Board relies upon to fund services are less stable. Federal, state and local funds fluctuate and are subject to cuts and withholds without prior notice.
- Cash flow from local tax receipts is seasonal so sound planning and budgeting is essential.
- The reserve fund may provide necessary working capital in the short run, as cash is critical to the operation of any entity. Cash is necessary to address a crisis, or for unexpected repair and replacement.
- Reserve funds guard against the unpredictability of federal/state policy changes that impact the potential number of eligible clients, the array of available services through contracted providers, and the availability of funds to purchase services.
- Funds may be restricted or unrestricted, and designated or undesignated, depending on the limitations of any external funding source, purpose of the particular fund, and The Board action.

Operating Reserve Fund Balance

The amount of the Operating Reserve Fund Balance shall be equal to nine (9) months of DDRB operating expenses in excess of fixed assets in reserve at all times with an optimal goal of twelve (12) months of operating expenses in excess of fixed assets. However, the Board shall have the discretion to vary the established reserve amount if it is determined by a majority of the Board to be in the best interests of the persons and/or agencies the DDRB serves.

The Board may elect to utilize the fund(s) for specific acceptable purpose(s) which should include plans for a repayment schedule to replenish reserves that have been drawn down.

The Board should be kept apprised on a regular basis of the balance of the Operating Reserve Fund in relation to the established target.

Management of Fund

The Operating Reserve Fund shall be separately identified in the financial statements and shall be maintained in an interest-bearing account, while remaining liquid.

Funds Designated for Capital Expenditures

Due to debt-limitation provisions designed to protect taxpayers and future elected officials, any long-term debt obligations to meet capital acquisition needs require careful planning to comply with the standard that payments due in any one year do not exceed the entity's projected revenue income in the current year and any unencumbered balances from prior years. Planned agency expenditures related to capital acquisitions and major renovations as a part of a long-term plan should be separately designated by The Board and be separate and distinct from the Operating Reserve Fund.