

SECTION V – FISCAL/ACCOUNTING

SUBSECTION 1. FISCAL POLICY – GENERAL

SUBSECTION 2 - RESERVE POLICY – updated 01/29/2020

SUBSECTION 3 – OPERATING CASH POLICY

A. Overview

Green Valley Recreation, INC (GVR) maintains two operating cash accounts to ensure access to working capital needed to fund the day-to-day operations of GVR. This includes board approved transfers to reserve funds as described in Section V, Subsection 2. The following information describes the purpose, methodology to determine level of cash needed during the year, and monitoring responsibility for these cash funds.

B. Purpose

To be fiscally responsible and implement best practices related to cash management, the cash management policy must:

1. Allow for easy accessibility of funds to meet the working capital needs of GVR.
2. Recognize the seasonality of the income flow.
3. All funds invested will use the Investment Policy established for that account.

C. Description of Cash Accounts

The operating cash accounts consist of two different accounts:

1. Operating Cash Bank Account

- a. Consists of all deposits at a local bank, including, but not limited to annual membership dues, Property Acquisition Capital Fee (PACF), tenant fees, and program revenue.
- b. All checks are written on this account for operating expenses.
- c. Withdrawals are also done for the transfer of board approved amounts to each reserve fund as described in Section V, Subsection 3.

2. Operating Cash Investment Account

- a. This is the holding account maintained by the investment manager that is selected and approved by the Board. These funds are invested pursuant to the Investment Policy in Appendix I, Subsection 3.
- b. Staff is authorized to transfer funds between this account and the operating cash bank to meet daily expenses as necessary.

c. Due to fluctuations in cash needs this account may be 'rebalanced' periodically to allow excess cash to be moved to an appropriate reserve account.

D. Operating Cash Policy

1. Methodology for Determining Level of Total Cash Required: GVR's approved operating budget requires following the steps as described below in determining the annual cash needs of the organization.

Chart 1 - Total Annual Cash Required to Fund GVR For Fiscal Year

Steps	Description	Example (Cy 2021)
1.	Use the Total Expense Budget approved by the Board	\$11,196,453
2.	Subtract Non-Cash Depreciation	(1,810,173)
3.	Subtract Expenses paid by Maintenance, Repair and Reserve (MRR-A)	(259,034)
4.	Add NonReserve Capital Purchases	205,000
5.	Subtract Reserve Fund Investment Fees	(82,792)
6.	Add back the Reserve funding revenues approved to be transferred to respective reserve accounts	
	a. Maintenance Repair and Replacement (Part A)	1,048,192
	b. Maintenance Repair and Replacement (Part B)	169,553
	c. Initiatives Reserve	507,315
7.	Total Annual Cash Required to Fund GVR for the Fiscal Year	\$10,974,514

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2. Determination of number of days of average cash on hand required: GVR follows the best practices guideline that recommend a minimum cash balance, at the lowest point during the year, of 90 days of the annual expenses.

- a. Prior to calculating the minimum of 90 days guideline, GVR will subtract the one-time annual revenue transfer made to the MMR-A Reserve Fund in January of each year. This allows GVR to maximize investment returns to the MMR-A fund.
- b. The required cash will be divided by 365 days to determine the Average Daily Cash Required. This amount will be multiplied by 90 days to determine the minimum 90-day cash balance guideline.
- c. This calculation will be conducted after the approval of next year's budget by the Board of Directors for the following year.

Steps	Description	Example (Cy 2021)
1.	Use Total Cash Required for fiscal year from Step 7 in Chart 1	\$10,974,514
2.	Subtract cash transfer to MRR Part A, in January	(1,048,192)
3.	Add Step 1 and 2 for Total Cash Required	9,926,322
4.	Days per Year	365
5.	Divide to get the Daily Average Cash Required	27,195
6.	Multiply by 90 days as best practice minimum days	90
7.	Total Cash Required to fund GVR for 90 Days	\$2,447,586

Chart 2 - Total Cash Required to fund GVR for 90 Days

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3. Description and On-Going Monitoring of Cash Cycle:

1. GVR receives the majority of its revenues from member dues in Dec/January of each year with other revenue streams budgeted on a monthly basis. Some expenses are budgeted on an equal monthly basis; however, those that are seasonal, such as member activities and facility maintenance expenses are budgeted as close to expected timing of expense. As actual expenses are reported each month and reflected in the monthly financial statements, staff may adjust the projected expense for the remaining months to account for any timing issues related to the actual expenses. Because of this seasonality of the collection of revenues and projected monthly expenses, the chart below reflects the uneven nature of cash balances at the end of each month. The cash balances are gradually spent down each month with the 90 average days of cash on hand standard being projected in November of each year. GVR also subtracts the amount of the Property Assessment Capital Fund (PACF) that has been paid to property owners. The Auditors require this item be recorded in this manner.
2. Staff will monitor these cash balances as part of its monthly financial report. As actual expenses and revenues are recorded, the projected cash balances may fluctuate resulting in a change in the end of month cash on hand beyond the 90-day standard. If, after analysis and projections of the cash needs for the remaining months of the calendar year, this variance is determined to be excess of cash needed, the Board may review options to transfer this excess to other reserve accounts.

Chart 3 - Projecting Operating Cash Above the 90 Day Minimum

Steps	Description	Example (Cy 2021)
1.	Use Cash Balance Projected for November (from Monthly Chart of Cash Flow with Projections for Remaining Months)	3,517,961
2.	Subtract PACF Allowance	(312,340)
3.	Total Net Cash Available for Operating funds	3,205,621
4.	Divide by Daily Average Cash Required – Chart 2, step 5	27,195
5.	Number of Days of Operating Cash Available	118
6.	Total Net Cash Available for Operating funds (step 3 above)	3,205,621
7.	Take Minimum 90 Day Cash Minimum from Chart 2, Step 7	(2,447,586)
8.	Projected Operating Cash Above the Minimum available for possible distribution to other Reserve Accounts	758,035

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Monthly Chart of Cash Flow with Projections for Remaining Months

GVR Cash Requirements Report
FY 2021

Actual Jan-21	Actual Feb-21	Actual Mar-21	Actual Apr-21	Actual May-21	Actual Jun-21	Projected Jul-21	Projected Aug-21	Projected Sep-21	Projected Oct-21	Projected Nov-21	Projected Dec-21	Projected Jan-22
243	238	234	220	212	205	189	173	153	123	106	145	124

Projected Ending Balance 2021	
Total Reserve Accounts	9,604,495
Total Operating Cash	4,691,250
Grand Total Cash & Investments	14,295,745

7,560,487	7,411,205	7,353,470	6,956,156	6,706,352	6,532,989	6,031,517	5,541,178	4,916,642	4,031,453	3,517,961	4,691,250	4,054,354
16,329,854	16,302,851	16,361,230	16,567,510	16,579,030	16,511,084	15,609,734	15,273,197	14,385,075	13,309,902	12,457,143	13,099,759	13,766,021

