

<p align="center"><b>ADAMHS BOARD FOR MONTGOMERY COUNTY</b></p>	<p><b>BP #            210</b></p>	
<p><b>TITLE</b> Cash Reserve/Ending Balance</p>	<p><b>SUBJECT</b> Finance</p>	
	<p><b>EFFECTIVE DATE</b> 08/02/2006</p>	<p><b>SUPERSEDES DATE</b> 12/16/1998</p>

**PURPOSE**

The ADAMHS Board’s implementation of managed care tools and changing our planning cycle results in:

1. Assumption of financial risk
2. Change in the way that services are purchased
3. Need for greater emphasis on cash management
4. Increased focus on planning, reporting and accountability.

In order for the Board to operate successfully in this environment, it is necessary to establish a cash reserve level.

**POLICY**

To assure that the ADAMHS Board remains financially sound and discharge its financial obligations in a timely manner, the Board’s ending cash reserve/ending balance at each fiscal year end should be at least 9% of the upcoming contract year projected annual expenditures.

**PROCEDURES**

1. Each October and June Finance Staff will prepare a financial forecast (current year + four (4) and present it to Management Staff, Finance Committee and the Board of Directors for approval for planning purposes.
  - A. The financial projections will identify funding sources, expenditures and the basis for projected funding and expenditure level.
  - B. The financial projections will identify those funds earmarked for purchasing services (AoD and Mental Health) for the current and upcoming contract years.
  - C. If financial projections indicate that the board’s cash reserve/ending balance at each fiscal year end will be less than the 9% of projected annual expenditures, management will make recommendations to the Board to achieve compliance.
  
2. Each quarter, Board staff will present the Board’s financial statements to the Finance Committee for review and discussion.