

Harney Education Service District

Code: **DBDB**
Adopted: 12/08/04
Readopted: 12/12/12
Orig. Code(s): DBDB

Fund Balance

The ESD Board recognizes their responsibility to establish an unreserved fund balance¹ in an amount sufficient to:

1. Protect the ESD from unnecessary borrowing in order to meet cash-flow needs;
2. Provide prudent reserves to meet unexpected emergencies and catastrophic events;
3. Address uncertainties in state and federal funding;
4. Help to ensure a credit rating that would qualify Harney ESD for lower interest costs for loans that may be necessary in the construction and renovation of ESD facilities.

Consequently, the Board directs the superintendent and business manager to manage the annual adopted budget in such a way to ensure an ending fund cash balance of no less than 8 percent of the General Fund budget and up to 10 percent or 8 percent of total adopted revenues of **all funds** as deemed prudent.

In determining an appropriate unreserved fund balance, the Board will consider a variety of factors with potential impact on the ESD's budget, including the predictability and volatility of its expenditures²; the

¹The Government Finance Officers Association (GFOA) recommends, at a minimum, that general-purpose governments, regardless of size, maintain an unreserved fund balance in their general fund of no less than 5 to 15 percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures. The Oregon Association of School Business Officials recommends, at a minimum, an unreserved ending fund balance of no less than 3 to 8 percent of the general fund budget. In general practice, levels of fund balance, typically, are less for larger governments than for smaller governments because of the magnitude of the amounts involved and because the diversification of their revenues and expenditures often results in lower degrees of volatility.

²Higher levels of unreserved fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile.

availability of resources in other funds, as well as the potential drain upon general fund resources from these others funds³;liquidity⁴; and designations⁵. Such factors are to be reviewed annually.

END OF POLICY

Legal Reference(s):

[ORS 294.311\(18\)](#)

[ORS 294.371](#)

[ORS 334.125\(7\)](#)

³The availability of resources in other funds may reduce the amount of unreserved fund balance needed in the general fund, just as deficits in other funds may require that a higher level of unreserved fund balance be maintained in the general fund.

⁴The disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained.

⁵The need to maintain a higher level of unreserved fund balance to compensate for any portion of unreserved fund balance already designated for a special purpose.