

# Lake Oswego School District 7J

Code: **DBDB**  
Adopted: 3/09/15

## Fund Balance

The Board recognizes its responsibility to establish an unreserved fund balance<sup>1</sup> in an amount sufficient to:

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

Consequently, the Board directs the superintendent to manage the General Fund budget in such a way to target an ending fund balance of at least 8 percent of total adopted expenditures, but no more than 15 percent.

The director of finance will provide the Board with periodic financial projections at least twice each year. Should the projected ending fund balance for the current and ensuing fiscal year fall below the 8 percent target in any one period, administration will propose a corrective plan of action for matters within the district's control to prevent or limit any further erosion of the fund balance, including measures to increase balances to target levels if possible. The plan will be submitted to the Board for consideration and action.

In determining an appropriate unassigned fund balance, the Board will consider a variety of factors with potential impact on the district's budget including the predictability and volatility of its revenues and expenditures<sup>2</sup>; the availability of resources in other funds as well as the potential drain upon general fund

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<sup>1</sup>The 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.

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

resources from other funds<sup>3</sup>; liquidity<sup>4</sup>; and designations<sup>5</sup>. Such factors will be reviewed whenever there are significant changes in any of these factors.

END OF POLICY

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**Legal Reference(s):**

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

[ORS 294.371](#)

[ORS 332.107](#)

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<sup>3</sup>The 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.

<sup>4</sup>The 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.

<sup>5</sup>The 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.