

Multnomah Education Service District

Code: **DBDA**
Adopted: 6/20/05
Reviewed: 9/21/10
Revised/Readopted: 5/15/18

Fund Balance and General Operating Contingency

Fund Balance

The Board recognizes its responsibility to maintain an unrestricted fund balance¹ in an amount sufficient to:

1. Protect Multnomah Education Service District (MESD) 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 credit rating that would qualify MESD for lower interest costs and greater marketability of bonds that may be necessary in the construction and renovation of MESD facilities.

Consequently, the Board directs the superintendent to manage the currently adopted budget in such a way to ensure an unassigned ending fund balance in the Operating Fund of at least 7 percent of total Property Tax and State School Fund adopted revenues.

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

Contingency

The Board shall establish a general operating contingency fund at an amount deemed sufficient by the Board to meet financial needs due to emergencies or unforeseen circumstances. The Board shall establish the amount during the budget development process.

END OF POLICY

¹ The Government Finance Officers Association (GFOA) recommends, at minimum, that general-purpose governments, regardless of size, maintain an unrestricted 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, as a minimum, an unrestricted 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 expenditure often results in lower degrees of volatility.

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

Legal Reference(s):

[ORS 294.305 - 294.565](#)
[ORS 294.311\(18\)](#)
[ORS 294.398](#)

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

[OAR 150-294-0440](#)

[OAR 150-294-0430](#)

MESD Policy Cross Reference(s):

AA - MESD Purpose and Goals
DBE - Budget Preparation
DBK - Budget Transfer Authority
DI - Fiscal Accounting and Reporting
DIE - Audits