

North Santiam School District

Code: **DBDB**
Adopted: 6/23/11
Readopted: 6/15/17
Orig. Code(s): DBDB

Fund Balances

The Board recognizes its responsibility to establish an unreserved fund balance¹ 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.

The Board directs the superintendent to have as a goal – to utilize the budgeting process to build an ending fund cash balance in the general fund of at least 7 percent of total adopted revenues.

In determining an appropriate unreserved 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 expenditures²; the availability of resources in other funds as well as the potential drain upon general fund resources from other funds³; liquidity⁴; and designations⁵. Such factors will be reviewed annually.

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.

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.

Fund balances are required to be reported in classifications that “comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.” It is the District’s goal to maintain a minimum general fund ending fund balance to support the district for 4 months of general fund expenditures.

The ending balance for all funds must be designated per the following categories set forth by GASB 54:

1. Non Spendable – Funds which cannot be spent;
2. Restricted – Amounts subject to externally enforceable legal restrictions (imposed by grantors, contributors, governmental regulations, etc.);
3. Committed – Amounts whose use is constrained by limitations that a government imposes upon itself;
4. Assigned – Intended use of resources established by the governing body itself, or by an official or officers to which authority is delegated by the governing body;
5. Unassigned – Available for any purpose. (Reported only in the General Fund.)

Assignments

Authority to classify portions of ending fund balance as assigned is hereby granted to the superintendent and the director of business services.

Spending as it Relates to Ending Fund Balance Policy

The Board considers the spending of restricted fund balances on purposes for which such funds can be used to occur first when funds are spent for restricted and unrestricted purposes. When unrestricted classifications of fund balance are spent, the Board will consider that committed amounts will be reduced first, followed by assigned amounts and then unassigned amounts.

END OF POLICY

Legal Reference(s):

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

[ORS 294.398](#)

[ORS 332.107](#)