

Fund Balance

The Board recognizes its responsibility to establish an unassigned 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 protect against catastrophic events;
3. Meet the uncertainties of state and federal funding;
4. Help ensure a credit rating that would qualify the ESD for lower interest costs and greater marketability of bonds that may be necessary in the construction and renovation of ESD facilities.

Consequently, the Board directs the Superintendent to manage the currently adopted budget in such a way to ensure an unassigned ending fund cash balance of between 4 to 10 percent of total adopted general fund revenues.

In determining an appropriate unassigned 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 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 prior to the budget committee meeting.

END OF POLICY

¹The Oregon Association of School Business Officials recommends, at a minimum, an unassigned 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 unassigned 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 unassigned fund balance needed in the general fund, just as deficits in other funds may require that a higher level of unassigned 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 unassigned fund balance to compensate for any portion of unassigned fund balance already designated for a special purpose.

Legal Reference(s):

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

[ORS 294.371](#)

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