

**Northwest Regional
Education Service District
Policy**

Code: **DBDB**
Adopted: 11/09/11

Fund Balance

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

1. Protect NWRES D 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 NWRES D 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 unrestricted ending fund balance of at least 8 percent of total general fund adopted revenues, less the amount allocated for transfer to component school districts.

In determining an appropriate unrestricted 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 commitments and assignments. Such factors will be reviewed annually.

The Board reserves the authority to establish and modify commitments of ending fund balance. Fund balance of NWRES D may be committed for a specific source by formal action of the Board. Amendments or modifications of the committed fund balance must also be approved by formal action of the Board.

¹The Government Finance Officers Association (GFOA) recommends, at a 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, at 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 expenditures often results in lower degrees of volatility.

²Higher levels of unrestricted 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 unrestricted fund balance needed in the general fund, just as deficits in other funds may require that a higher level of unrestricted 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.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent or the Chief Financial Officer.

The Board considers the spending of the restricted classification of fund balance 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 References:

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

[ORS 294.371](#)

[ORS 332.107](#)