

Linn Benton Lincoln Education Service District

Code: **DBDB**
Adopted: 10/10/07
Revised: 7/12/23

Fund Balance and GASB 54 Policy

Purpose

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the District and is fiscally advantageous for both the District and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the District to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances.

Definitions

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

Governmental Accounting Standards Board (GASB) Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- 1) Nonspendable fund balance – amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- 2) Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
- 3) Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the Board. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the board's commitment in connection with future construction projects).
- 4) Assigned fund balance – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the Board or by a designee to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) Unassigned fund balance – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

Policy

The responsibility for designating funds to specific classifications shall be as follows:

Committed Fund Balance – The Board is the District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

Assigned Fund Balance – The Board has authorized the Superintendent and the Business Manager as officials authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance

The Board recognizes its responsibility to establish an unreserved 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.

In determining an appropriate unreserved 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.

The board recognizes the following material factors in establishing the organization's unassigned balance:

1. The ESD is responsible for responding to changes in general funding and/or operations as directed by the Oregon Department of Education in a timely and definitive manner.
2. The ESD's historical general funding levels have been reliable, predictable, and stable.
3. The ESD's non-general fund activities often rely upon the organization's cash balance to float working capital commitments, and it is generally desirable to utilize the organization's overall cash balance to help procure and operate such funds that are beneficial to the organization and its mission.
4. Whereas the ESD is responsible for mitigating minor fluctuations in funding for non-general fund activities, it shall not use general fund resources for the purposes of establishing an unassigned fund balance for non-general fund activities.
5. The ESD is neither more nor less likely to experience a catastrophic event than the average educational entity in Oregon.

Consequently, the Board directs the superintendent to manage the general fund to ensure a minimum ending fund balance equivalent to approximately 4-8 weeks of average general fund operating

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.

expenditures. Relevant expenditures include all operating expenses and transits, but not specifically exclude interfund transfers.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (e.g., a project is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), the District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

END OF POLICY

Legal Reference(s):

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

[ORS 294.398](#)

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