Code: **DBDB**
Adopted: **June 24, 2006**
Revised: **May 16, 2023**

Fund Balance

The Board recognizes its responsibility to establish an unreserved fund balance in an amount sufficient to:

1. Protect the district from unnecessary borrowing 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.

Unreserved Fund Balance
The 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. 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.

Consequently, the Board directs the superintendent to manage the currently adopted budget in such a way to strive for an ending fund cash balance of at least 16.6 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 expenditures.
Higher levels of unreserved fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile.

The availability of resources in other funds as well as the potential drain upon general fund resources from other funds.
The 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.

Liquidity
The disparity between when financial resources become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained.

Designations
The 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.

Such factors will be reviewed during the preparation of the Tentative/Final Budget and the preparation of the December 31 Augmented Budget.

END OF POLICY

Legal Reference(s):