Policy No. 6022

Management Support

# MINIMUM FUND BALANCE POLICY

The District recognizes the importance of maintaining a prudent fund balance in the General Fund to ensure operational cash flow needs are met, to set aside resources for known obligations, and to help protect against unforeseen circumstances.

The District must be prepared to continue essential operations in critical times to address emergency situations for life, health, or public safety, such as the following;

1. The failure of the State to meet the monthly apportionment payment schedule for any reason, including lack of budget authorization by the legislature by midnight June 30.
2. Significant unforeseen revenue decline in excess of 5% of original estimates where no appropriation, transfers or other new revenue is available to offset to maintain services (legislative action, double levy failure).
3. Major disasters such as fire, earthquake, and lahar.
4. Acts of violence or terrorism.

Accordingly, the district adopts this policy and establishes the Minimum Fund Balance Policy to set aside an amount based on total current year expenditures.

Annually, the superintendent or designee will present a General Fund budget that includes a commitment of at least five percent (5%) of the current year's operating expenditures toward a minimum fund balance, that is categorized within the Unassigned Fund Balance.

In addition to the minimum fund balance requirement, the District recognizes the importance of maintaining a higher level of financial reserves to support long-term financial stability, strong creditworthiness, and favorable bond ratings.

Consistent with guidance from national organizations, such as the Government Finance Officers Association (GFOA) and credit rating agencies, the District will endeavor to maintain a total General Fund balance at or above two months of operating expenditures and will strive to maintain reserves in excess of this level when financially feasible.

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**Maintaining this target level of fund balance is intended to:**

- Strengthen the District's financial position and resilience during economic uncertainty;
- Support favorable bond ratings and reduce borrowing costs for capital projects;
- Provide additional protection against revenue volatility and unforeseen expenditures;
- Demonstrate sound fiscal stewardship to taxpayers, investors, and the community.

The two-month reserve is a target benchmark rather than a mandated minimum. The District may temporarily maintain fund balance levels below this target based on planned use of reserves, economic conditions, enrollment changes, state funding levels, or other financial factors.

The Superintendent or designee shall periodically report to the Board on fund balance levels relative to this benchmark and recommend strategies to achieve and sustain reserves at or above this level over time.

The District will also monitor the level of Unassigned Fund Balance as a key indicator of financial flexibility.

## Fund Balance Classifications

**Non-spendable Fund Balance -** Amounts that cannot be spent because they are either not in spendable form (e.g., inventory, prepaid items) or are legally or contractually required to be maintained intact.

**Restricted Fund Balance** – Amounts constrained to specific purposes by external parties such as creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provision or enabling legislation.

**Committed Fund Balance** – Amounts that can only be used for specific purposes pursuant to formal action by the Board of Directors or school board policy. Once established, commitments can only be changed by similar Board action.

**Assigned Fund Balance** – Amounts constrained by the school district's intent to be used for specific purposes. Authority for making these assignments rests with the Superintendent or designee with the knowledge of the Board of Directors.

**Unassigned Fund Balance** – The residual classification for the General Fund representing amounts that are spendable but have not been restricted, committed or assigned to specific purposes within the General Fund.

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