

**Financial Management**  
**OPERATING RESERVE POLICY**

The Lake Pend Oreille School District #84 will establish and maintain a General Fund Operating Reserve equivalent to 5% (five percent) of the combination of its General Fund revenue plus the maintenance and operating costs included in any supplemental or Emergency Levy. These funds will not be apportioned. Commencing in fiscal year 2005, the District will initially reserve \$300,000 of its General Fund fund-balance to establish said Operating Reserve. The District will analyze annually at fiscal year end the appropriate funding level for future contributions from its General Fund fund-balance. The minimum future annual contribution allocation will be \$100,000 until the 5% goal is achieved. This policy explicatedly prohibits the District from using budgetary procedures that balance a current budget at the expense of future budgets.

Operating Reserve funds are to provide for unanticipated expenditures of a temporary, nonrecurring nature, and/or meet unexpected costs increases and to minimize the effects of economic fluctuations on revenue generation. In the rare instance that the Operating Reserve balance is decreased, it will be rebuilt by the above formula until the policy is achieved. Funds expended from the Reserve Fund will be pre-approved by the Board.

Adopted on: 3-14-05