

MINIMUM FUND BALANCE

The Eastmont School District Board of Directors recognizes the importance of maintaining an adequate fund balance in all funds used to account for school district operations in order to keep the Eastmont School District in a strong financial position. This policy establishes guidelines to be used during the preparation and execution of the annual budget to ensure fund balances are maintained within in each fund classification in order to:

- Provide sufficient cash flow for daily financial needs;
- Secure and maintain investment grade bond ratings;
- Offset significant economic downturns or revenue shortfalls; and
- Provide funds for unforeseen expenditures related to emergencies.

Funds

For purpose of the policy, a fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. The District maintains separate funds as required by the Office of Superintendent of Public Instruction (OSPI) Accounting Manual for Public School Districts. The record of fund activity is maintained in the District's accounting software and is reported annually in the District's annual financial report (F196).

Fund Balance Categories

Fund balance is the difference between a fund's assets and liabilities and is a measure of available financial resources. Statement No. 54 of the Governmental Accounting Standards Board (GASB) established criteria for categorization of fund balances in financial reports (GASB 54). This reporting standard is applicable for all governmental entities.

GASB 54 requires fund balance be reported in the following two categories:

1. Nonspendable Fund Balance: Amounts reported in this category are amounts that cannot be spent because they are either not in spendable form (i.e. inventories) or are legally required to be maintained intact.
2. Spendable Fund Balance: Amounts reported in this category are all resources not included in the Nonspendable Fund Balance. There are four subcategories in this category:
 - a. Restricted Fund Balance – Amounts reported in this category have a limitation placed on the use that is either externally imposed, or imposed by law or enabling legislation.

- b. Committed Fund Balance – Amounts reported in this category have specific restraints imposed on them by a formal action of ordinance or resolution by the Board of Directors.
- c. Assigned Fund Balance – Amounts reported in this category reflect the District’s intended use for a specific purpose by the Superintendent.
- d. Unassigned Fund Balance – Amounts reported in this category reflect the residual balance reported in the General Fund or a negative fund balance in a fund other than the General fund.

Unassigned to Minimum Fund Balance

The Board recognizes that the maintenance of a minimum fund balance in the General Fund and the Capital Project Fund is essential to provide for unforeseen expenses or emergencies as well as to provide for working capital for the start-up of programs and/or initiatives.

The unassigned fund balance in each of these funds will be maintained at a level sufficient to provide the resources required to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment to changes resulting from fluctuations of revenue sources. Therefore, the district will strive to maintain an unassigned minimum fund balances as follows:

- General Fund – equal to not less than 8% appropriated operating expenditures
- Capital Project Fund – equal to not less than 1% of General Fund appropriated operating expenditures

As part of the annual budget process, the Executive Director of Financial Services will estimate the surplus or deficit for the current year and prepare a projection of the year-end unassigned fund balance. Such projection will include an analysis of trends in fund balance levels on an historical and future projection basis. Any anticipated balance in excess of the minimum unassigned general fund balance may be budgeted at the discretion of the Board. Any such action must also provide for necessary appropriations to restore the unassigned general fund balance to the minimum balance.

In a balanced budget year (when anticipated operating revenues equal or exceed anticipated operating expenditures) if the unassigned operating fund balance is greater than required balance, administration will recommend a plan to spend excess funds in the subsequent fiscal year.

If fund balances decline below the required balance, Administration will request approval to modify programs and will recommend a plan to replenish the fund balance to the established minimum level within two years.

Resource Use and Order of Expenditure of Funds

Upon adoption of a budget where fund balance is used a source to balance the budget, the Executive Director of Financial Services shall record the amount as “Assigned” fund balance. When multiple categories of fund balances are available for expenditure (for example an educational program is funded in part by a grant, funds set aside by the district 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.

Strategic Plan Goals

In addition, as part of the annual budgeting process and in support of the District Strategic Improvement Plan, the District shall allocate in the annual budget:

- a minimum of 2.0% of its appropriations for curriculum/instruction/assessment & training, technology infrastructure and upgrades, facilities and grounds, transportation and safety/security improvements

This policy will be reviewed every three years following adoption or sooner, at the direction of the Board.