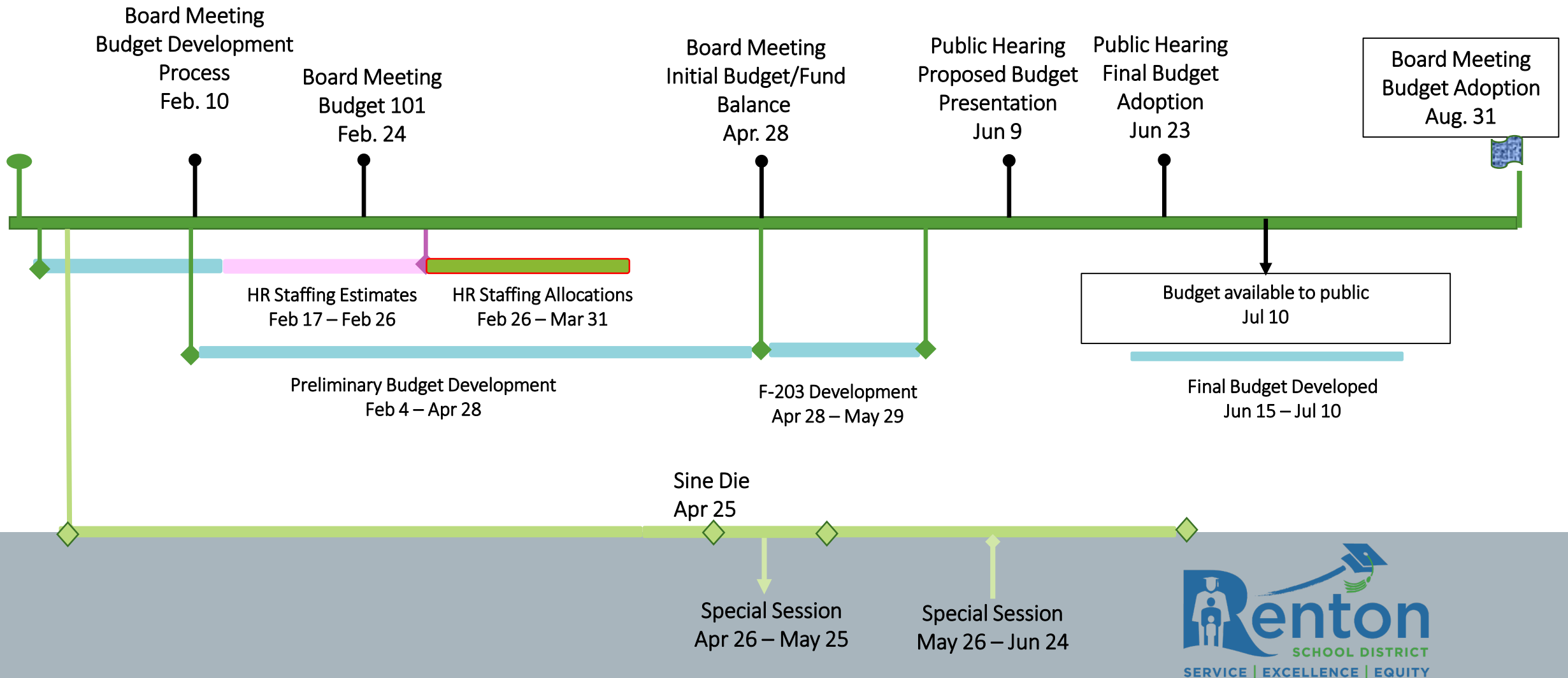




Fund Balance: Then and Now, Looking Forward

A fundamental look at the General Fund net position and how it impacts operations and financial security.

School District Budget Calendar Requirements





Topics

Minimum Fund Balance



Background

Brief description of a governmental fund balance.



District Position

A historical data and analytical perspective on the District's fund balance.



Recommendation

Planning for the future to endure financial turbulence and unplanned circumstances.

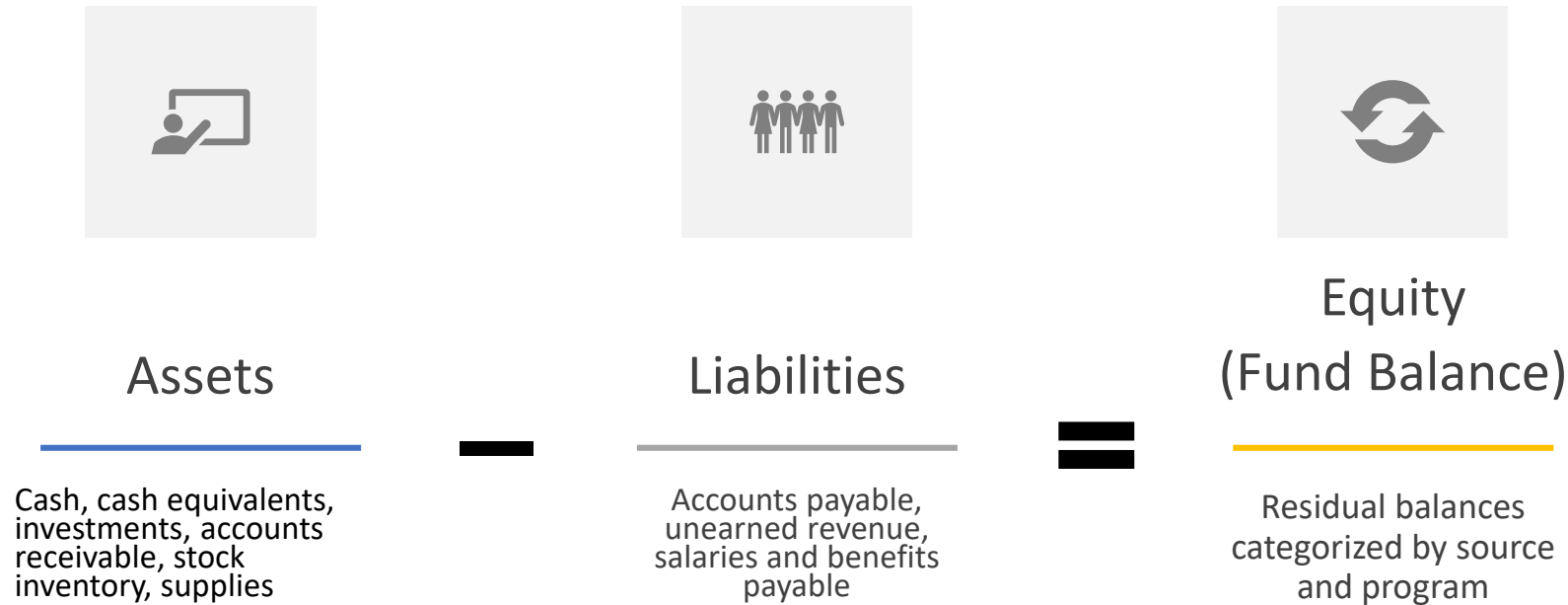


Policy 6022

Minimum Fund Balance



Financial Statement - Balance Sheet Framework



Categories of Fund Balance

Restricted



Non-Spendable

legal or contractual provisions require that they be maintained intact



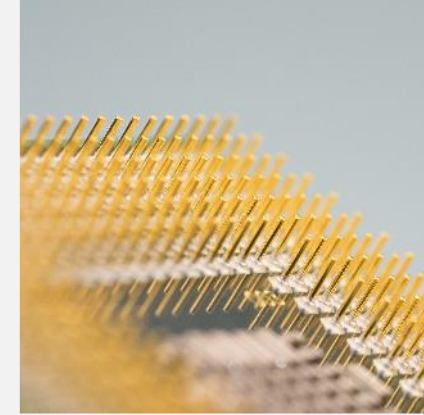
Restricted

encompass net fund resources subject to externally enforceable legal restrictions



Committed

resources whose use is constrained by limitations that the government imposes upon itself



Assigned

covers the portion of fund balance that reflects a government's intended use of resources



Unassigned

net resources in excess of what is properly categorized in one of the four categories already described

Renton School District

Fund Balance Illustration

F-196 2019-20 Year End Financial Report Excerpt

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
FUND BALANCE:							
Nonspendable Fund Balance	3,776,539.51	0.00	0.00	0.00	0.00	0.00	3,776,539.51
Restricted Fund Balance	2,390,773.83	1,173,583.01	17,834,950.15	121,073,343.95	1,471,633.37	0.00	143,944,284.31
Committed Fund Balance	0.00	0.00	0.00	10,741,889.06	0.00	0.00	10,741,889.06
Assigned Fund Balance	7,897,065.00	0.00	0.00	10,519,833.88	0.00	0.00	18,416,898.88
Unassigned Fund Balance	13,098,154.15	0.00	0.00	0.00	0.00	0.00	13,098,154.15
TOTAL FUND BALANCE	27,162,532.49	1,173,583.01	17,834,950.15	142,335,066.89	1,471,633.37	0.00	189,977,765.91

Governmental Finance Officers Association (GFOA)

Fund Balance Policy Considerations

- The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
- Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
- The potential drain upon general fund resources from other funds, as well as, the availability of resources in other funds;
- The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds;
- Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose). Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.

GFOA Recommended
Unassigned/Assigned Fund
Balance:

One to two months of operating
expenditures

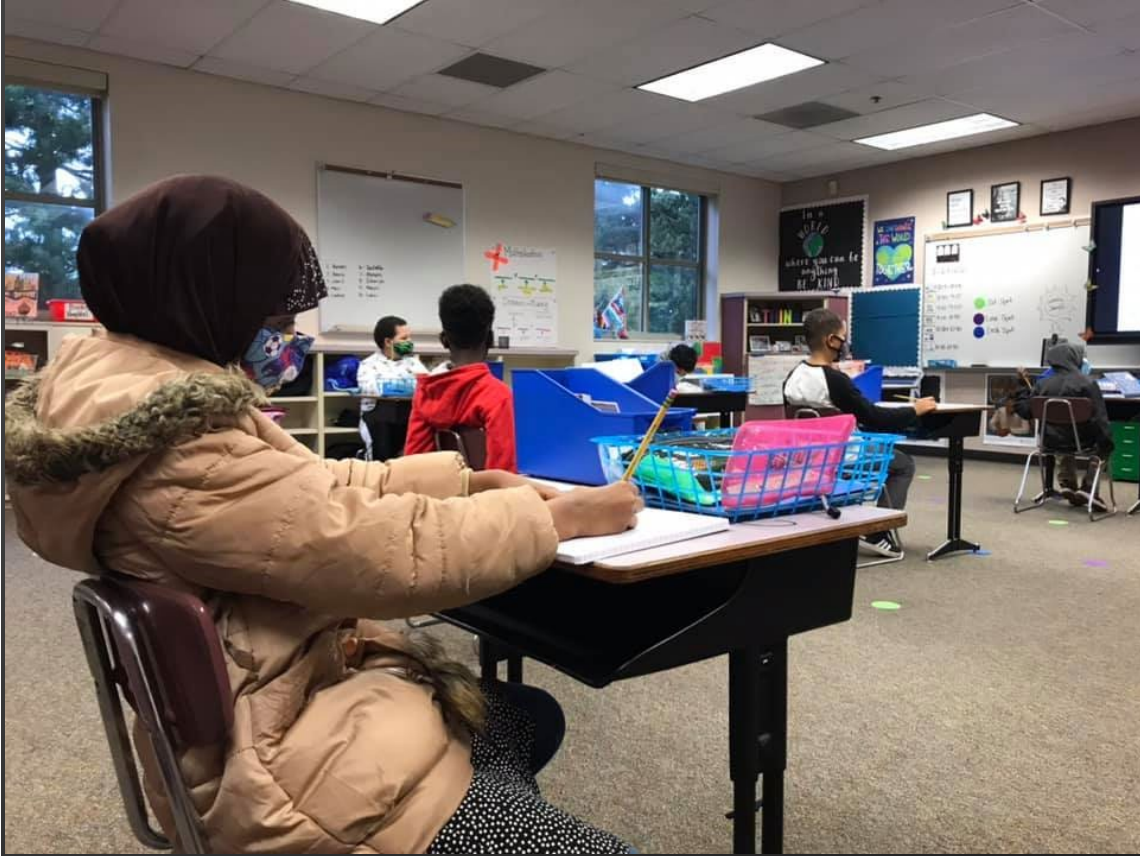
Renton School District

\$43.0 Million

Or

16.7%

(Two months)



Risks and Benefits

Fund balance policy based on expectations and stability



Financial Instability

Mitigating the fluctuations in financial activity



Public Perception

Maintain fiscal responsibility perception with stakeholders



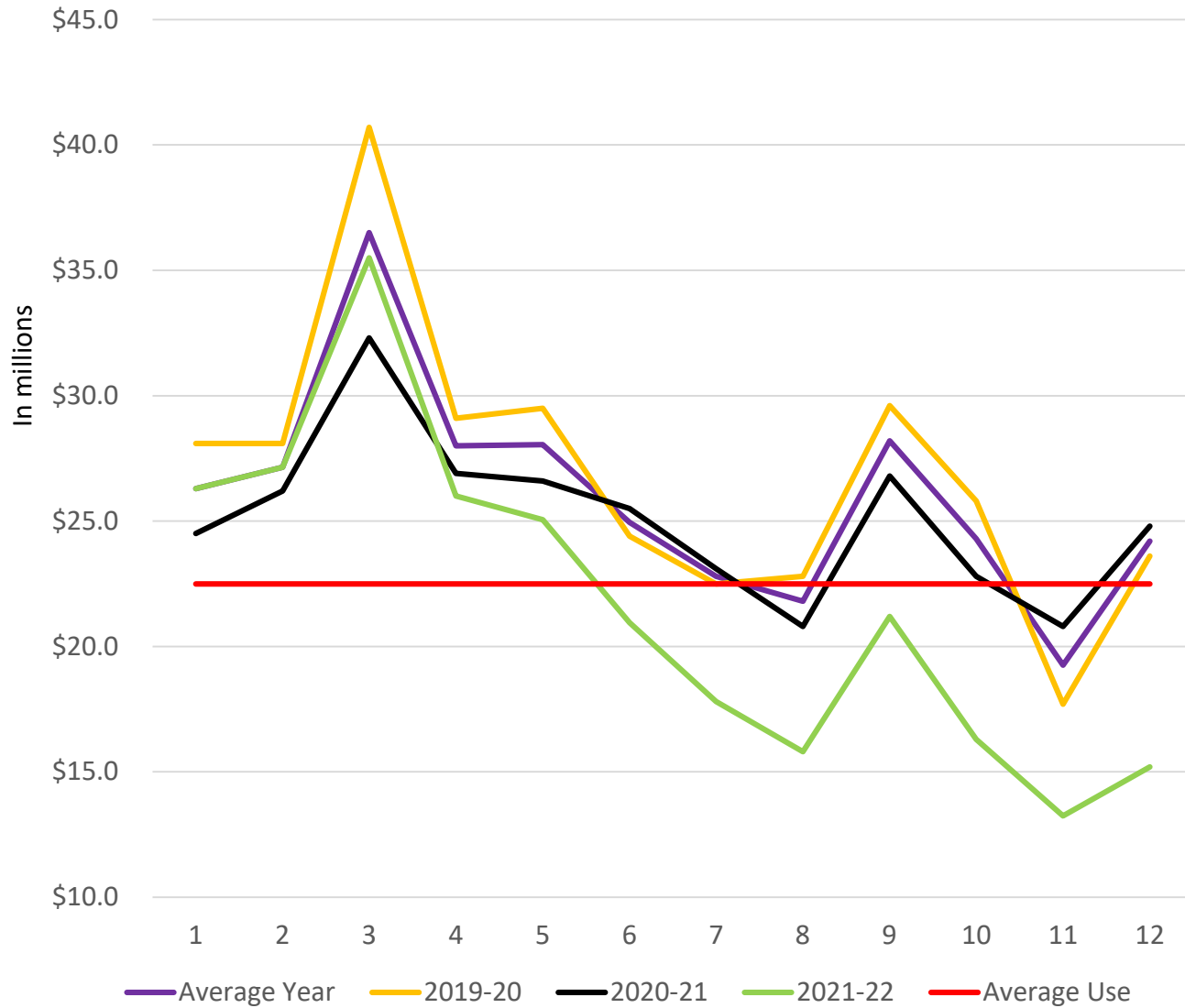
Cash Interruptions

Backstopping the inconsistencies of cash flow



Managing Debt

Attaining the most competitive financial credit ratings



Projected General Fund Cash Flow

Decreases in the fund balance drops the average cash balances in the County Treasury



Increase The Fund Balance Expectations, Why?

- The adequacy of unrestricted fund balance in the general fund should take into account each government's unique circumstances.
- Articulating risks in a fund balance policy makes it easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition.
- A government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of recommended minimum levels.
- Measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time.

Short Term Management Objective:
Move from 5% of Expenditures (2 weeks cash flow) to
7% of Expenditures (approximately 3 weeks cash flow)

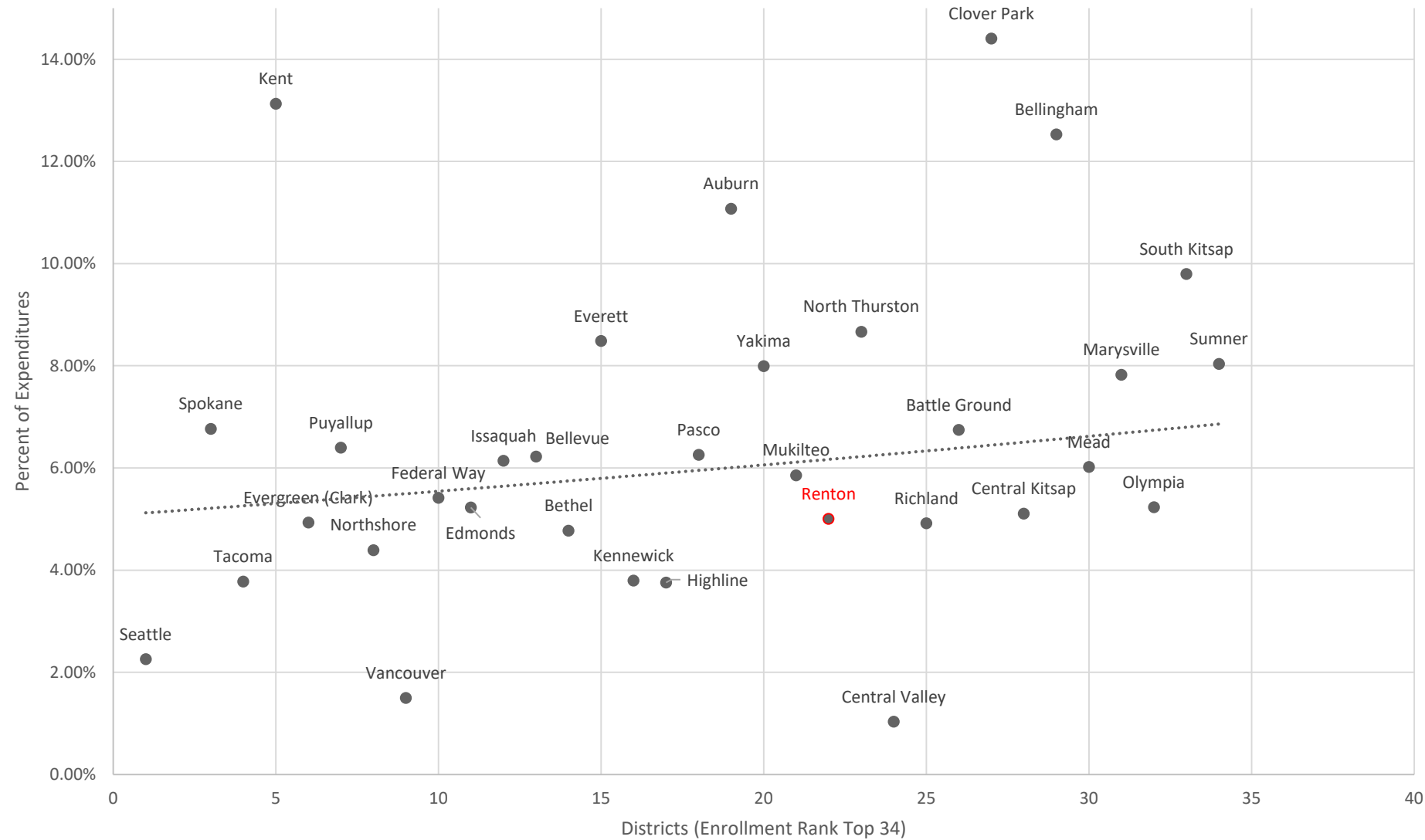
Washington School Districts – Unassigned Balances

All Districts over 10,000 Students in 2019-20

District Name	Unassigned	Ending Balance	Expenditures	Unassigned Percent
Seattle	21,830,216.81	148,791,694.77	966,875,780.07	2.26%
Lake Washington	96,950,213.06	108,250,142.06	432,860,666.35	22.40%
Spokane	29,239,324.37	57,647,612.31	432,285,454.28	6.76%
Tacoma	17,891,107.33	36,893,526.66	473,923,607.53	3.78%
Kent	49,901,376.88	64,479,475.90	380,109,753.35	13.13%
Evergreen (Clark)	18,134,825.43	28,240,528.88	367,917,024.58	4.93%
Puyallup	20,383,358.65	53,127,385.47	318,626,043.84	6.40%
Northshore	15,184,441.64	48,511,034.58	345,773,092.50	4.39%
Vancouver	5,102,994.87	32,772,194.87	340,478,290.32	1.50%
Federal Way	18,093,430.05	35,684,869.91	334,280,741.36	5.41%
Edmonds	17,086,338.25	29,365,521.85	326,953,733.09	5.23%
Issaquah	18,860,002.90	42,317,930.90	307,259,123.75	6.14%
Bellevue	21,667,216.68	36,967,901.36	348,168,075.02	6.22%
Bethel	14,039,657.68	54,881,867.55	294,345,133.18	4.77%
Everett	27,516,756.48	37,094,411.16	324,372,372.03	8.48%
Kennewick	9,700,000.00	38,839,810.22	255,721,902.07	3.79%
Highline	11,817,771.20	31,862,437.03	314,693,876.31	3.76%

District Name	Unassigned	Ending Balance	Expenditures	Unassigned Percent
Pasco	15,970,920.10	30,440,911.10	255,250,906.22	6.26%
Auburn	29,160,479.88	40,658,688.26	263,348,587.77	11.07%
Yakima	18,352,866.99	28,034,542.72	229,659,051.66	7.99%
Mukilteo	15,291,017.10	40,339,725.25	261,130,186.36	5.86%
Renton	13,098,154.15	27,162,532.49	261,968,173.94	5.00%
North Thurston	19,011,494.12	21,541,387.61	219,375,336.62	8.67%
Central Valley	1,973,033.73	17,004,265.27	191,342,219.56	1.03%
Richland	8,892,286.31	11,554,787.74	180,863,309.71	4.92%
Battle Ground	12,044,855.29	29,942,870.91	178,616,627.91	6.74%
Clover Park	29,629,368.70	35,170,811.20	205,704,489.91	14.40%
Central Kitsap	8,799,580.57	13,216,748.67	172,378,903.38	5.10%
Bellingham	21,354,135.51	23,819,287.51	170,442,149.71	12.53%
Mead	8,228,645.30	11,852,316.82	136,749,362.46	6.02%
Marysville	13,775,023.81	15,311,497.25	176,099,330.56	7.82%
Olympia	7,413,646.20	11,585,221.94	141,665,621.59	5.23%
South Kitsap	14,917,444.11	18,710,067.73	152,271,647.75	9.80%
Sumner	10,473,377.77	22,203,982.96	130,323,268.84	8.04%

General Fund - Ending Fund Balance
Unassigned Fund Balance as a Percentage of Expenditures
Fiscal Year 2019-20

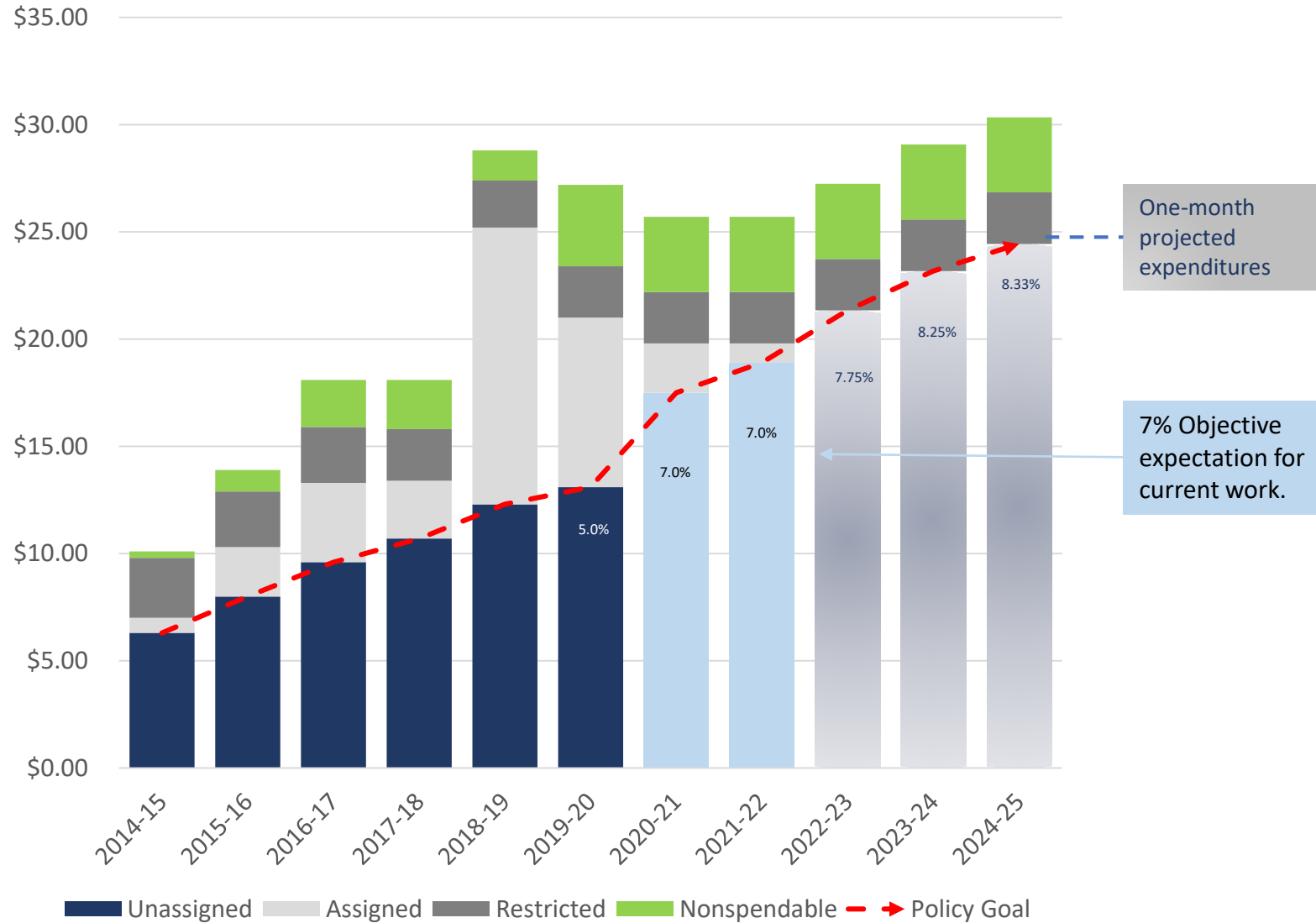




District Position

A historical data and analytical perspective on the District's fund balance.





Recommended Fund Balance Policy Goals

- Increase the minimum fund balance over time to enhance financial stability.

- Minimum fund balance policy recommendations
- Five-year goal to elevate fund balance minimums
- Financial stability and economic smoothing
- Fiscal responsibility to the District taxpayers



Summary
