

MANAGEMENT SUPPORT

Minimum Fund Balance

The Board of Directors of the Snohomish School District recognizes the importance of maintaining a sufficient fund balance in each of its funds to ensure sound financial practices, provide program stability, and obtain excellent bond ratings.

The fund balance in the Debt Service Fund, Transportation Vehicle Fund, Capital Projects Fund and Associated Student Body Fund is primarily a function of the scope of the projects and activities found within the operation of each fund. Stability of revenue and predictability of expenditures in these funds enables the district to establish an appropriate budgeted fund balance.

The complexities of funding and other economic uncertainties in the operation of the General Fund require a different approach in setting the fund balance level. Some of the uncertainties affecting the fund balance for the General Fund include:

1. Enrollment fluctuations
2. Unanticipated changes in tax and appropriation levels by state and federal agencies
3. Legislative mandates having financial impacts on school systems
4. Passage/failure of voter referendums
5. Financial impacts of labor agreements including arbitration judgments
6. Litigation
7. Energy cost increases and weather related damage

To provide stability of the instructional program and maintain sound financial practices, the district will establish a prudent fund balance level in the General Fund. This will be accomplished through five components of the budgeted fund balance:

1. Nonspendable Fund Balance
2. Restricted Fund Balance
3. Committed Fund Balance
4. Assigned Fund Balance
5. Unassigned Fund Balance

Nonspendable accounts represent those portions of fund balance that cannot be spent either because they are not in a spendable form or are legally required to be maintained intact, such as inventory. Restricted accounts represent those amounts that, except for items reported as Nonspendable, are restricted to specific purposes. These restrictions may either be (1) externally imposed by creditors, grantors, laws or regulations of other governments, or (2) imposed by law through constitutional provisions. Committed accounts represent those amounts that can only be used for specific purposes pursuant to constraints imposed by resolution or adopted policy of the school board. Assigned accounts represent those that are

constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. Authority for making these assignments may rest with senior administration of the school district. Unassigned fund balance is the residual fund balance designation for the general fund. The Unassigned fund balance account will be targeted at a fiscal year-end fund balance of 4-6% of General Fund expenditures. This fund balance target should be regularly re-evaluated by the Board of Directors as total General Fund expenditures increase over time. This will help ensure that the amount continues to be sufficient to cover the purposes set forth above.

Cross References: 6040 – Expenditures in Excess of Budget
6020 – System of Funds and Accounts

Legal References: RCW 28A 320.070 School District as Self-insured – Authority
RCW 28A.505.130 Budget – Requirement for Balancing Estimated
Expenditures
RCW 28A.505 School District Budgets

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