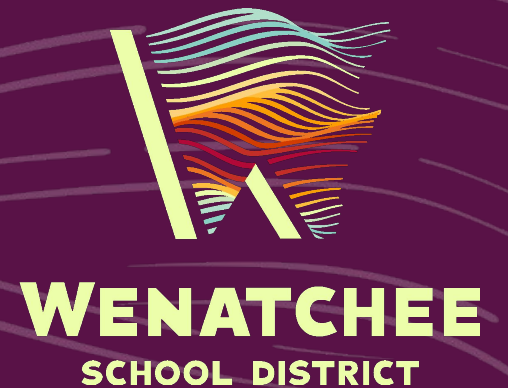


Minimum Fund Balance

Sean Fitzgerald, Executive Director of Business & Finance
January 13, 2026



Minimum Fund Balance Goals

Goals

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

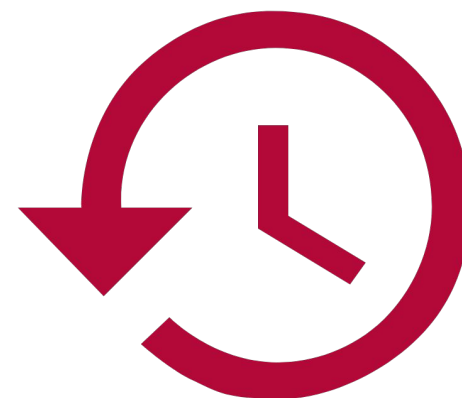


What is the minimum amount of reserves the district needs to achieve these goals?

Minimum Fund Balance History

District's current policy was adopted in August 2011.

- **Enrollment** peaked in 2015-16 (7,655 vs. 6,447)
- **Assessed Value - affects levy rate and Local Effort Assistance (LEA) funding**
 - 2011: \$3.7 billion
 - 2026 projection: \$8.5 billion
- **Pre-McCleary** (case decided in January 2012, implemented in 2018-19 school year)
- **Pre-COVID Pandemic**
- **Same infrastructure but 14 years younger**



Minimum Fund Balance

Current

- **Enrollment decline** - actual and projected
- **Local Effort Assistance (LEA)** - fluctuates annually based on enrollment and assessed value
- **Increasing inflationary costs** - continues to outpace state funding (e.g., insurance)
- **Federal funding uncertainty** - waiting on completion of 2025-2027 federal budget
- **State funding**
 - District used \$637K in minimum fund balance reserves in June due to state funding issue.
 - State is projecting a \$2.3 billion deficit
 - For the current legislative session, legislators are already discussing additional taxes and cuts.
- **Maintenance & Operations** - aging infrastructure, preventive and emergency projects
- **Compliance with unfunded mandates** (e.g., Clean Energy Act)

Minimum Fund Balance Comparisons

For now - There is no required MFB threshold. It is set by the school board. OSPI is looking at proposing a new state law to codify % of fund balance reserves.

District's current policy of 5% of total budgeted expenditures would not cover average monthly expenditures.

State Auditor's Office (SAO) and Governmental Finance Officers Association (GFOA) recommend 60 days of cash reserves, **which is more than our entire fund balance**.

Sufficient reserves are needed to cover district expenditures and mitigate risks between October and April.

Healthy and stable fund balance reserves play a factor in the district's creditworthiness.

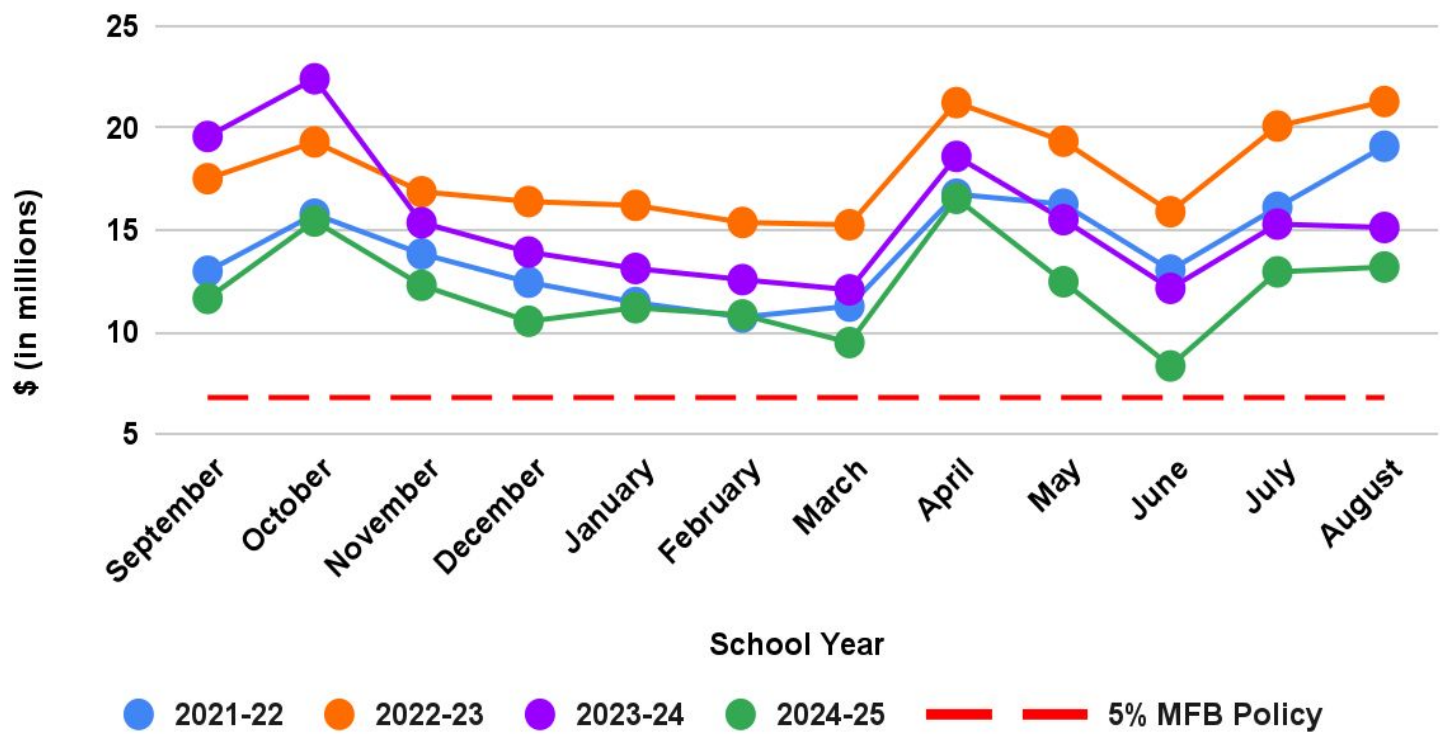
District **cannot rely** on restricted fund balance to address revenue shortfalls or unanticipated expenditures.

Minimum Fund Balance %	Amount
5% (District Policy)	\$ 6.8M
6%	\$ 8.1M
7%	\$ 9.5M
8% (Avg. Monthly Exp., Eastmont)	\$ 10.8M
10.5% (Moody's)	\$ 14.2M
16% (SAO & GFOA - 60 days)	\$ 21.6M

Minimum Fund Balance Ending Fund Balance

2024-25 Ending Fund Balance By Month

All Fund Balance Classifications



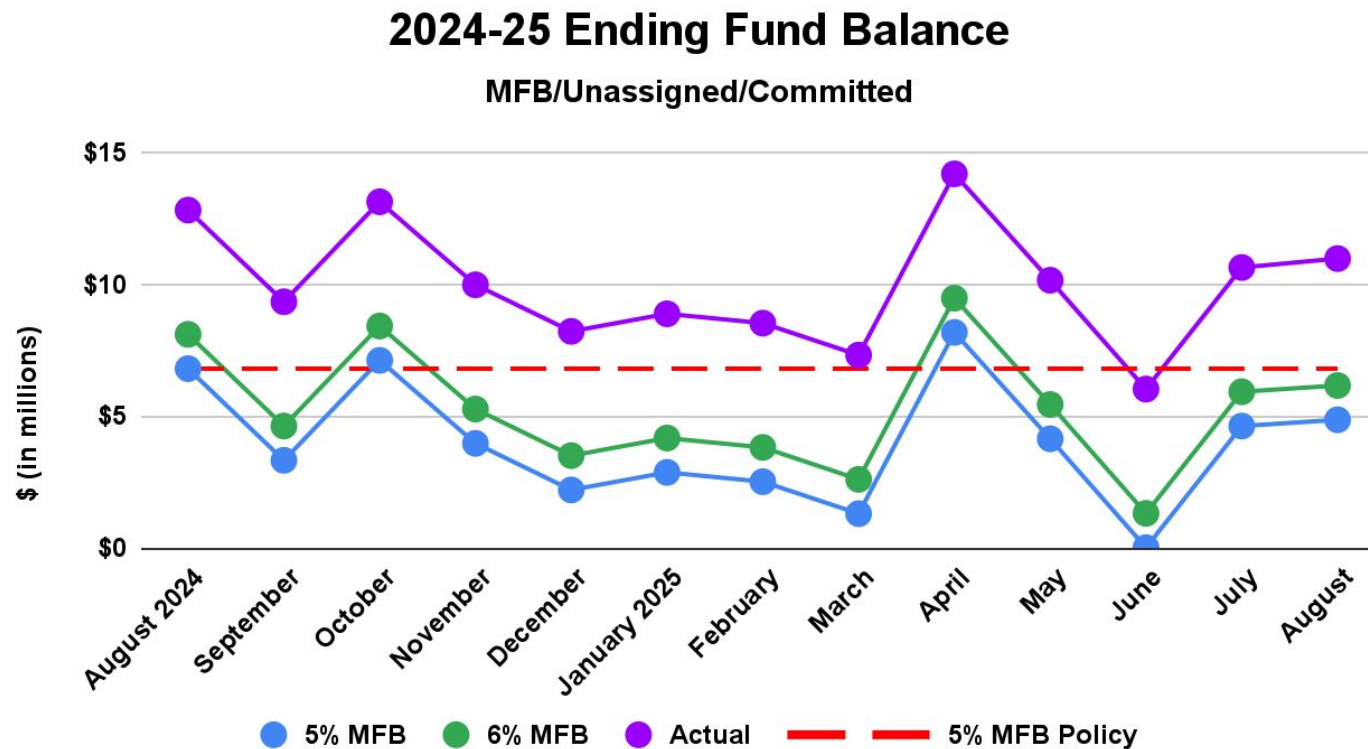
The district see its highest revenue activity in October, April, July, and August.

October and April: The district receipts local property taxes from the county based on the EP&O levy.

July and August: The district receipts state revenues monthly known as state apportionment. The district receives an allocation based on an apportionment schedule as set by state law (RCW 28A.510.250). The district receipts its largest state apportionment in July (12.5%) and August (10.0%).

Between October and April: the district will rely on its fund balance reserves to fund ongoing school operations, **decreasing reserves.**

Minimum Fund Balance Comparisons



Hypothetical Comparison

- Graph showing what district MFB/Unassigned/Committed monthly fund balance would be if we started the 2024-25 school year at minimum fund balance reserves of 5% and 6% of budgeted expenditures.
- Actual starts at 9.6%, finishes at 8.2%

June Reserves

- Actual: \$6,025,691
- 6% MFB: \$1,300,000
- 5% MFB: \$15,000

General Fund

2025-26 Budget & Forecast - 5% MFB

	2025-26 Budget	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast
Beginning Fund Balance	\$13,621,700	\$11,152,338	\$10,914,081	\$10,763,832
Revenues	133,299,414	136,481,274	137,656,739	138,675,430
Expenditures	135,268,776	136,219,531	137,306,988	138,621,631
Other Financing Sources	150,000	-	-	-
Other Financing Uses	650,000	500,000	500,000	500,000
Ending Fund Balance	11,152,338	10,914,081	10,763,832	10,317,631
Change in Fund Balance	-2,469,362	-238,257	-150,249	-446,201
Minimum Fund Balance (5%)	6,763,439	6,810,977	6,865,349	6,931,082
Other Fund Balance Assignments	2,610,695	2,610,695	2,610,695	2,610,695
Unassigned	1,778,204	1,492,409	1,287,788	775,854

Budget & Forecast from August.

Forecasts will be updated next month after year-end close out.

Reductions already included.

Does not factor in federal funding reductions.

General Fund

2025-26 Budget & Forecast - 6% MFB

	2025-26 Budget	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast
Beginning Fund Balance	\$13,621,700	\$11,152,338	\$10,914,081	\$10,763,832
Revenues	133,299,414	136,481,274	137,656,739	138,675,430
Expenditures	135,268,776	136,219,531	137,306,988	138,621,631
Other Financing Sources	150,000	-	-	-
Other Financing Uses	650,000	500,000	500,000	500,000
Ending Fund Balance	11,152,338	10,914,081	10,763,832	10,317,631
Change in Fund Balance	-2,469,362	-238,257	-150,249	-446,201
Minimum Fund Balance (6%)	6,763,429	8,173,172	8,238,419	8,317,298
Other Fund Balance Assignments	2,610,695	2,610,695	2,610,695	2,610,695
Unassigned	1,778,204	130,214	-85,282	-610,362

Budget & Forecast from August

Forecasts will be updated next month after year-end close out.

Reductions already included.

Does not factor in federal funding reductions.

2025-26 Budget is based on 5% MFB, while forecasted years are based on 6% MFB.

Based on this forecast, additional reductions would be needed for 2027-28 and beyond to maintain additional fund balance reserves.

Minimum Fund Balance

5%	6%	7%	8%
Current	\$1.3 M	\$1.3 M	\$1.3 M

- Increasing MFB by 1%, reduces remaining unassigned fund balance by about \$1.3M.
- Fluctuates annually based on budgeted expenditures
- Increase MFB gradually to avoid unnecessary budget reductions
- Goal would be to maintain the minimum fund balance at or above policy level at year-end.

Minimum Fund Balance

- What is the minimum amount of reserves the district needs to operate during the school year and have sufficient reserves to address risks?
- Long-term financial planning
 - Is 5% an adequate amount?
 - Every year the district is drawing down on fund reserves to mitigate budget reductions
 - Actual and projected enrollment decline
 - Federal and State funding uncertainty

Questions