

Sample Language on Minimum Fund Balance Policy

This document is Attachment D to the letter of New Requirements for Reporting Fund Balance in Governmental Funds dated January 07, 2011.

The CDE recommends that an LEA's minimum fund balance policy and related note disclosure contain language such as the following to communicate to users the importance of the Reserve for Economic Uncertainties, why it consists of amounts that are unassigned, and that it is not available for spending.

Sample Language 1: California School District

The district is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The district's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than two months of general fund operating expenditures, or 17 percent of General Fund expenditures and other financing uses.

Sample Language 2: California Basic Aid (excess property tax) School District

The district maintains a minimum unassigned fund balance of not less than 15 percent of budgeted general fund expenditures and other financing uses as a Reserve for Economic Uncertainties. The district believes a reserve of this level is prudent to maintain a high bond rating and to protect the district from the effects of fluctuations in property tax revenues to which Basic Aid districts such as this district are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

Sample Language 3: California County Office of Education (COE)

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the COE maintains a Reserve for Economic Uncertainties to safeguard the COE's financial stability. The minimum recommended reserve for a COE of this size is a minimum of three percent of budgeted general fund expenditures and other financing uses. The COE's policy is to maintain the reserve at six percent.