



# Fund Balance Reserves

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Presented To MJUSD Board Of Trustees  
July 20, 2021





# Why Are We Talking About Reserves Now?

...And The Importance Of Reserves

# 10% Reserve Cap

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## 10% Cap Triggered

Based on current year conditions of the State Budget's General Fund, when certain criteria are met, a 10% cap on school district reserves is triggered!

## When?

Effective with the adoption of the **MJUSD 2022/23 Budget**

## Why?

Proposition 2 - 2014  
Senate Bill 751 - 2017



# Districts Have Reserves for Five Main Reasons

- x Manage Cash Flow
- x Mitigate Volatility in Funding or Expenditures
- x Address Unexpected Costs
- x Save for Large One-time Purchases
- x Reduce Costs of Borrowing Money





Reserves are one-time in nature!

Reserves are a key indicator of a  
school district's fiscal health!





# Reserves... the details

## General Fund

### Components Of Ending Fund Balance

## Let's Break It Down!

# Components of Ending Fund Balance

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## Nonspendable

- a. Revolving Cash
- b. Stores
- c. Prepaid Items

## Restricted

Amounts that can be spent only for the specific purpose stipulated by the provider of the funds.

## Committed

Amounts that can be spent only for the specific purpose approved by a formal action of the highest decision-making authority (school board).

## Assigned

Amounts intended to be used for specific purpose but does not meet the higher level classification of committed or restricted funds.

## Unassigned

Residual amount not contained in the other classifications.

## Reserve for Economic Uncertainty (REU)

State required 3% of combined expenditures and other funding sources. This amount is identified separately but resides in the Unassigned classification.



# Example

## 2020-21 Estimated Actuals

	Unrestricted	Restricted	Combined
<b>F. FUND BALANCE, RESERVES</b>			
1) Beginning Fund Balance	\$ 41,841,051	\$ 2,181,883	\$ 44,022,934
2) Ending Fund Balance	\$ 42,604,576	\$ 27,271,341	\$ 69,875,917
<b>Components of Ending Fund Balance</b>			
a) <b>Nonspendable</b>			
Revolving Cash	\$ 30,000		\$ 30,000
Stores	\$ 468,377		\$ 468,377
b) <b>Restricted</b>		\$ 27,271,341	\$ 27,271,341
c) <b>Committed</b>			
Stabilization Arrangements			
Other Commitments (OPEB)	\$ 956,933		\$ 956,933
d) <b>Assigned</b>			
Other Assignments	\$ 16,621,486		\$ 16,621,486
e) <b>Unassigned/Unappropriated</b>			
Reserve for Economic Uncertainties	\$ 3,990,476		\$ 3,990,476
Unassigned/Unappropriated Amount	\$ 20,537,304	0.00	\$ 20,537,304



These  
amounts  
count  
toward  
10%  
Cap



# Example

## 2020-21 Estimated Actuals

	Unrestricted	Restricted	Combined
<b>F. FUND BALANCE, RESERVES</b>			
1) Beginning Fund Balance	\$ 41,841,051	\$ 2,181,883	\$ 44,022,934
2) Ending Fund Balance	\$ 42,604,576	\$ 27,271,341	\$ 69,875,917
<b>Components of Ending Fund Balance</b>			
a) <b>Nonspendable</b>			
Revolving Cash	\$ 30,000		
Stores	\$ 468,377		
b) <b>Restricted</b>		\$	
c) <b>Committed</b>			
Stabilization Arrangements			
Other Commitments (OPEB)	\$ 956,933		
d) <b>Assigned</b> ★			
Other Assignments	\$ 16,621,486		
e) <b>Unassigned/Unappropriated</b> ★			
Reserve for Economic Uncertainties	\$ 3,990,476		
Unassigned/Unappropriated Amount	\$ 20,537,304		

The Reserve for Economic Uncertainties (REU) is always 3%

$$\begin{aligned} \$3,990,476 / 3 = \\ \$1,330,159 \text{ (1\%)} \end{aligned}$$

$$\begin{aligned} 1,330,159 \times 10 = \\ 13,301,590 \end{aligned}$$

**10% Cap**  
**\$13,301,590**

# Example

2020-21 Estimated Actual

		Unrestricted	
<b>F. FUND BALANCE, RESERVES</b>			
1) Beginning Fund Balance	\$	41,841,05	
2) Ending Fund Balance	\$	42,604,57	
<b>Components of Ending Fund Balance</b>			
a) <b>Nonspendable</b>			
Revolving Cash	\$	30,00	
Stores	\$	468,37	
b) <b>Restricted</b>			
c) <b>Committed</b>			
Stabilization Arrangements			
Other Commitments (OPEB)	\$	956,93	
d) <b>Assigned</b> ★			
Other Assignments	\$	16,621,486	
e) <b>Unassigned/Unappropriated</b> ★			
Reserve for Economic Uncertainties	\$	3,990,476	\$ 3,990,476
Unassigned/Unappropriated Amount	\$	20,537,304	0.00 \$ 20,537,304

**10% Cap = \$13,301,590**

16,621,486 Assigned

3,990,476 REU

20,537,304 Unassigned

41,149,266 Total toward cap

-13,301,590 Less 10% Cap

**\$27,847,676**



**Amount Over Cap**



# Solutions

Variety of Solutions Available

# Solution Examples

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## Commit Funds

- X Future COPs payments
- X Additional Reserve % to protect District from unforeseen circumstances of revenue shortfalls and unexpected expenditures

## Restrict Funds

- X Move funds from **Assigned** reserve for 5 year Technology Replacement and 5 year Curriculum Textbook Adoptions to locally defined restricted side of budget

## Transfer

- X Transfer funds to Fund 14 Deferred Maintenance for facilities needs

## Other

- X To be determined





# Thank you

Any questions?