

Fund Balance and Reserves



Board Meeting
June 11, 2015

Education Code 42127

- Pursuant to Education Code 42127(a)(2)(C), Hawthorne School District Board of Trustees must:
 - Identify the minimum reserve for economic uncertainties in each year identified in the fiscal report
 - Identify the amount of assigned and unassigned ending fund balance that exceeds the minimum
 - Provide reasons for the HSD reserve level if it is greater than the minimum



LACOE Bulletin #4125



**Los Angeles County
Office of Education**

**INFORMATIONAL
BULLETIN # 4125**
Rev: 6/1/2015

9300 Imperial Highway, Downey, California 90242-2890 • (562) 922-6111

Arturo Delgado, Ed.D., *Superintendent*

Therefore, we recommend that districts assign, reserve, or otherwise set aside any projected increase in LCFF revenue as a result of Gap Funding in 2016-17 and subsequent years.

County Offices continue to reinforce the need for reserves over the minimum reserve requirements. The experience of the most recent recession has clearly demonstrated these minimum levels are not sufficient to protect educational programs from severe disruption in an economic downturn. The typical 3.0 percent reserve minimum represents less than two weeks of payroll for many districts.



HSD 2015-16 Adopted Budget	2015-16	2016-17	2017-18
Funded LCFF	\$72,293,240	\$76,557,754	\$79,927,736
Increase over Prior Year		\$4,264,514	\$3,370,982
Increase from 2015-16		\$4,264,514	\$7,635,496

2015-16 Adopted Budget

Components of Ending Fund Balance	2015-16	2016-17	2017-18
Nonspendable	\$114,038	\$114,038	\$114,038
Restricted	\$711,714	\$129,406	\$20,383
Assigned*	\$5,734,690	\$7,872,834	\$10,110,485
Reserve of Economic Uncertainties (Required 3%)	\$2,700,970	\$2,661,404	\$2,741,493
Reserve % Including Assignments	9.34%	11.87%	14.06%
Reserve % Including Fund 17	14.45%	17.02%	19.06%
Reserve % Excluding LACOE LCFF Assignment	9.34%	7.07%	5.71%

*Per LACOE Bulletin #4125: Increases in LCFF revenue in 2016-17 and beyond should be assigned.

Need for Reserves

- Examples provided in LACOE Bulletin #4125:
 - Financial flexibility to absorb unanticipated expenditures without significant disruption to educational programs
 - Protection against exposure to significant one-time outlays, such as disasters, lawsuits or material audit findings
 - Protection against the volatility of state revenues
 - Cash management / avoiding the cost of borrowing for cash flow purposes





Questions / Comments