

GLENDALE UNIFIED SCHOOL DISTRICT

June 7, 2011

DISCUSSION REPORT NO. 1

TO: Board of Education

FROM: Dr. Richard M. Sheehan, Superintendent

PREPARED BY: Eva Rae Lueck, Chief Business and Financial Officer

SUBJECT: **Governmental Accounting Standards Board Statement 54**

At the May 17th Board meeting, there was an initial discussion regarding Governmental Accounting Standards Board - Statement 54 (GASB 54), a new regulation that will be in effect for the 2010-11 audited financial reports (see attachment). Since May 17th, we have received some clarifying information on the requirements.

We have been advised that California School Boards Association (CSBA), the organization that guides districts on the board policies, is still in the process of developing their policy recommendations for GASB 54. Our auditors have agreed that if the Board were to adopt the attached draft resolution, the District would be in compliance and the policy updates could occur at a later date.

The primary decision regarding the resolution is the establishment of a minimum fund balance in the unassigned category. The Superintendent's recommendation at this time is to establish 3% as the minimum unassigned fund balance and to re-visit this decision once State funding has been stabilized. The District may choose to increase the minimum requirement. Following is a sample of the options:

3% = \$6.6 million
5% = \$11.0 million
8% = \$17.6 million

It is important to note that while 3% would be the minimum, the District's actual fund balance in the most recent years was by necessity much higher to maintain solvency over a three year period. This higher balance was and still is necessary due to our reliance on one-time resources vs. on-going revenues to support the on-going operational expenses. It is also necessary due to the unreliable State funding.

The other item which requires Board consideration is the application of the "Committed Fund Balance" designation. The Superintendent is recommending that the Board take action for the following designations for the June 30, 2011 financial statements.

- Fund 14.0 Deferred Maintenance Fund – Entire fund balance "Committed for Deferred Maintenance Projects"

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This recommendation is based on the “Committed” designation being in place for 2010-11. It is anticipated that this designation will change as Measure S bonds are issued. The designation would remain in place until changed by the Board of Education through a subsequent Board action.

Additionally, our auditors have advised us that the ending balance of Fund #20.0 (Postemployment Benefits Fund) and any unassigned portion of Fund #56.0 (Debt Service Fund) balance will be consolidated into the Unrestricted General Fund on the 2010-11 audited financial statements. An amount equal to the Certificates of Participation repayment will be placed in the “Assigned” category.

Attached is a draft resolution which will need to be finalized and adopted by the Board at its next meeting on June 21st.