

FUND BALANCE FOR THE GENERAL FUND – GASB 54**GOVERNMENTAL FUND TYPES AND FUND BALANCE REPORTING**

In accordance with Generally Accepted Accounting Principles (GAAP) for Governments, the California School Accounting Manual and California Department of Education advisory, the District has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial reporting purposes.

The implementation of GASB Statement No. 54 requires the District to redefine all components of ending fund balance according to the new focus of spendability. Implementation also requires a review of all existing governmental funds for conformity with the new fund type definitions.

Governmental Funds

The District currently manages the following governmental funds all of which meet the current fund definitions consistent with GAAP:

- Fund 01 – General Fund
- Fund 13 – Cafeteria Fund
- Fund 25 – Capital Facilities Fund

The District currently manages the following governmental funds the use of which does not conform to the new accounting standards:

- Fund 14 – Deferred Maintenance
- Fund 20 – Special Reserve for Other Post Employment Benefits

To provide conformance with GAAP, this policy effects the following changes:

Deferred Maintenance Fund

The residual balance in the Deferred Maintenance Fund (Fund 14) and all amounts subsequently deposited to this fund and any earnings on the fund are committed to use solely for the purpose of Facilities Maintenance.

Special Reserve Fund for Other Post-Employment Benefits

The District has traditionally maintained the Special Reserve Fund for Other Post-Employment Benefits (Fund 20) to accumulate and maintain a reserve against the District's liability for retiree benefits. It is the District's intent to develop a permanent funding mechanism for this liability which will include the creation of a trust fund. Toward that goal, the residual fund balance in Fund 20 and all amounts subsequently deposited to this fund and any earnings on the fund are hereby committed to use solely for the purpose of relieving the District's liability for retiree benefits.

Until such time as a retiree benefit trust can be established, the District has determined that the use of Fund 20 provides useful information for internal reporting purposes and will, therefore, continue to be maintained as allowed by statute. *For the District's internal reporting purposes*

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(including budget, first interim, second interim and unaudited actuals – SACS), Fund 20 will be reported as a separate fund. Fund 20 will be combined with the General Fund for the District’s annual audited financial statements to conform with GAAP. The entire ending balance so added to the General Fund will be reported as committed for retiree benefits.

Any other use of these funds is expressly prohibited by adoption of this policy, unless or until such time as this policy is amended or deleted.

FUND BALANCE CLASSIFICATIONS

The District will report fund balances in one or more of the following fund balance classifications:

| | |
|----------------------|--|
| Non-Spendable | Used to identify amounts unavailable for expenditure because they have been dedicated to inventory or stores or some other identified purpose. |
| Restricted | Used to identify amounts that are subject to externally imposed restrictions, imposed by law or enabling legislation. |
| Committed | Used to identify amounts that have been committed by formal Board action to a specific purpose. |
| Assigned | Used to identify amounts that have been assigned to an intended purpose by Board action or by action of the Board’s designee. |
| Unassigned | Used to identify the residual balance in the General Fund that is not restricted, committed, or assigned. |

FUND BALANCE COMMITMENTS

As discussed in this policy under Fund Types, the adoption of the Board Policy includes the authorization of the following Fund Balance Commitments:

Fund 01 – Upon adoption of the policy, the residual fund balance above the Reserve for Economic Uncertainties is committed for temporary revenue shortfalls, cash deferrals or unpredicted expenditures (e.g., LCFF gap funding reserve, future CalSTRS/CalPERS employer contribution increases, emergency facilities or transportation maintenance/repairs, future declining enrollment). Any other use of these funds is expressly prohibited by adoption of the policy, unless or until such time as this policy is amended or rescinded.

Fund 14 – Upon adoption of the policy, the residual balance in the Deferred Maintenance Fund and all amounts subsequently deposited to this fund and any earnings on the fund are hereby committed to the purpose of Facilities Maintenance. Any other use of these funds is expressly prohibited by adoption of the policy, unless or until such time as this policy is amended or rescinded.

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The Board may, from time to time, entertain the possibility of committing unrestricted revenue streams to specific purposes. Any such future commitments of fund balance will be enacted by means of a Board Resolution.

FUND BALANCE ASSIGNMENTS

The Board hereby authorizes the Superintendent and the Chief Business Official as designees of the Board in identifying intended uses of funds and so assigning residual balances. Any such assignments will be presented at regular financial and budget reporting periods including the year-end unaudited actuals. Board action to approve such financial and budget reports will represent ratification of any such assignments.

The Board may also, from time to time, determine the need to assign funds for an intended use. Any such assignment will be documented by Board action at a regularly scheduled meeting.

MINIMUM FUND BALANCE

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 fund balance amounts, equal to no less than two months of general fund operating expenditures, or 8% of General Fund expenditures and other financing uses.

USE OF FUND BALANCE

In the event that multiple fund balance types are available for an expenditure, the expenditure will be made from the most restricted resource available at the time. Implementation of this policy requires Restricted Funds to be expended before Committed Funds and Committed Funds to be expended before Assigned Funds. Unassigned Funds should, therefore, only be used when all other available resources have been exhausted.

Fund Balance Policy Requirements

The Board shall adopt a formal resolution and/or Board Policy that provides for classification of fund balances in the General Fund and is compliant with Governmental Accounting Standards Board (GASB) Statement 54. The resolution also shall:

1. Establish specific steps for committing funds that cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
2. Express the authority of the Board and/or delegate authority to other person(s) to identify intended uses of assigned funds.

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3. Establish the order in which fund balances will be spent when multiple fund balance types are available for an expenditure.

4. Optionally – Address the minimum fund balance in the general fund by establishing an appropriate level of unrestricted fund balance that will be maintained in the general fund, the circumstances under which the unrestricted fund balance can be spent down, and the procedure for replenishing deficiencies.

**RESOLUTION FOR FUND BALANCE CLASSIFICATIONS
IN ACCORDANCE WITH GOVERNMENTAL ACCOUNTING
STANDARDS BOARD (GASB) STATEMENT 54**

RESOLUTION NO. 14-15-08

WHEREAS, the Governmental Accounting Standards Board (GASB) has issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions; and

WHEREAS, the Mount Shasta Union School District and the Board of Trustees intend to comply with the requirements of GASB 54; and

WHEREAS, GASB 54 consists of five separate components of Fund Balance, each of which identifies the extent to which the District is bound to honor constraints on the specific purpose for which amounts can be spent. The five categories of Fund Balance are:

- **Nonspendable Fund Balance** – Funds that cannot be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact.
- **Restricted Fund Balance** – Funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
- **Committed Fund Balance** – Funds that are subject to internal constraints self-imposed by formal action of the District’s highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds. The circumstances in which the resources are used must be specific and non-routine. At the time of adoption of this resolution, the Mount Shasta Union School District has the following reserves that meet this component of fund balance.
 - **General Fund (Fund 01)** – Upon adoption of this resolution, the residual fund balance above the Reserve for Economic Uncertainties is committed for temporary revenue shortfalls, cash deferrals or unpredicted expenditures (e.g., LCFF gap funding reserve, future CalSTRS/CalPERS employer contribution increases, emergency facilities or transportation maintenance/repairs, future declining enrollment). Any other use of these funds is expressly prohibited by adoption of this resolution, unless or until such time as this resolution is amended or rescinded.
 - **Deferred Maintenance Fund (Fund 14)** – Upon adoption of this resolution, the residual balance in the Deferred Maintenance Fund and all amounts subsequently deposited to this fund and any earnings on the fund are hereby committed to the purpose of Facilities Maintenance. Any other use of these funds is expressly prohibited by adoption of this resolution, unless or until such time as this resolution is amended or rescinded.
 - **Special Reserve for Other Post-Employment Benefits (Fund 20)** – Upon adoption of this resolution, the residual balance in the Special Reserve for Other Post-Employment Benefits, all amounts subsequently

deposited to this fund and any earnings on the fund are hereby committed to the purpose of Other Post-Employment Benefits. Any other use of these funds is expressly prohibited by adoption of this resolution, unless or until such time as this resolution is amended or rescinded.

- **Assigned Fund Balance** – Funds that are set aside with the intent to be used for a specific purpose by the District’s highest level of decision making authority (governing board) or an official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. This resolution hereby delegates the authority to assign amounts to be used for specific purposes to the Superintendent or Executive Assistant for the purpose of reporting these amounts in the annual financial statements and budget reports.
- **Unassigned Fund Balance** – Residual funds that have not been classified in the previous four categories. This classification includes the **Reserve For Economic Uncertainties** maintained pursuant to the Criteria and Standards for fiscal solvency adopted by the State Board of Education. 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, cash deferrals or unpredicted expenditures. The Board intends to maintain a minimum fund balance of 8% of the District’s General Fund annual operating expenditures. If a fund balance drops below 8%, it shall be recovered at a rate of 1% minimally each year.

WHEREAS, the Mount Shasta Union School District considers restricted fund balances to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts;

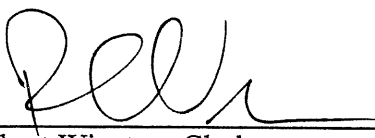
NOW, THEREFORE, BE IT RESOLVED, that the Mount Shasta Union School District, hereby establishes fund balance classifications as described above and delegates authority to assign amounts to be used for specific purposes to the Superintendent.

PASSED AND ADOPTED THIS 23rd day of June, 2015, by the following vote:

AYES: Cole, Schwartz, Winston, Ramas, Marrone
NOES: NONE
ABSENT: NONE
ABSTAINED: NONE



Paul Schwartz, President



Robert Winston, Clerk