

RESOLUTION NO. 21:21-22

RESOLUTION OF THE BOARD OF TRUSTEES OF THE PERRIS UNION HIGH SCHOOL DISTRICT TO ADOPT FUND BALANCE POLICIES AS REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) 54

WHEREAS, the Governmental Accounting Standards Board (GASB) in Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, changed how fund balances for governmental funds are presented on financial statements; and

WHEREAS, GASB 54 implemented fund balance classifications in the five-tier hierarchy of nonspendable, restricted, committed, assigned and unassigned in order to improve the clarity and usefulness of fund balance information; and

WHEREAS, GASB 54 further required school districts to adopt a fund balance policy setting minimum fund balances, including that of the Reserve for Economic Uncertainties (REU); and

WHEREAS, the Board of Trustees previously adopted a fund balance policy in compliance with GASB 54 on June 29, 2011 with the adoption of Resolution No. 45:10-11; and

WHEREAS, at the state level, with all criteria having been met to require a deposit into the Public School System Stabilization Account (PSSSA), the Proposition 98 Rainy Day Fund, the reserve cap of 10% has been triggered pursuant to Education Code Section 42127.01 for school districts beginning in 2022-23; and

WHEREAS, reserve levels are defined as the unrestricted ending fund balance for the General Fund, plus the ending balance for Fund 17 (Special Reserve for Other Than Capital Outlay Projects), as a percentage of the total General Fund (including restricted programs) expenditures, transfers out, and other uses; and

WHEREAS, the Board of Trustees, as the highest decision-making authority for the Perris Union High School District wishes to comply with both GASB 54 and Education Code Section 42127.01; and

WHEREAS, the Board of Trustees is committed to maintaining fiscal solvency and a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unanticipated expenditures; and

WHEREAS, the Board of Trustees recognizes that having adequate reserves and a supporting fund balance policy, provide the framework for fiscal solvency and the ability to be more strategic in reducing expenditures when faced with a financial crisis; and

WHEREAS, the State's Criteria and Standards minimum REU level is insufficient, and therefore, to the extent possible the Board of Trustees desires to maintain a higher REU level, and when necessary, allow for committed or assigned fund balances; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of the Perris Union High School District, in compliance with GASB 54, hereby adopts the following fund balance policy:

Reserve for Economic Uncertainties (REU). The District's minimum fund balance policy will be equal to 6% of the District's general fund annual operating expenditures, transfers out and other uses. This REU will be classified as an *Unassigned Fund Balance* and may only be reduced to the state minimum of 3% when a budget shortfall exists that would require a reduction in service levels.

Committed Fund Balances. Additional fund balances of the District may be set aside by the Board of Trustees for a specific purpose and are classified as a *Committed Fund Balance*. This action must take place prior to the end of the applicable fiscal year, and if the actual amount of the commitment is not available at the time action is taken, a process or formula for which the amount will be determined must also be approved with the action to commit a fund balance. Amendments or modification to a *Committed Fund Balance* must also be approved by formal action of the Board of Trustees. A *Committed Fund Balance* becomes constrained by the limitations self-imposed by the Board of Trustees and does not lapse at year-end.

Assigned Fund Balances. Additional fund balances may also be assigned for a specific purpose as intended by the Board of Trustees and are classified as an *Assigned Fund Balance*. *Assigned Fund Balances* do not carry the same constraints and do not require the same formality as *Committed Fund Balances*. The Board of Trustees delegates authority to assign a fund balance for a specific intended purpose to the Chief Business Official of the District. Any funds set aside as an *Assigned Fund Balance* will be reported to the Board of Trustees with the next financial reporting period. The Board of Trustees retains the authority to remove or change the *Assigned Fund Balance* with a simple majority vote.

Restricted Fund Balances. The *Restricted Fund Balance* classification will reflect only those amounts subject to externally enforceable constraints that cannot be otherwise committed or assigned by the Board of Trustees.

Nonspendable Fund Balances. The *Nonspendable Fund Balance* classification will reflect only those assets that are not in spendable form, either because they will never convert to cash or must remain intact pursuant to legal or contractual requirements. The portion of the fund balance designated for the revolving cash account is a nonspendable balance and is to be maintained at \$25,000.

THIS RESOLUTION is effective on the date of adoption until revoked or superseded.

ADOPTED, SIGNED AND APPROVED this 16th day of March, 2022, at a regular meeting, by the following vote:

AYES: _____
NOES: _____
ABSTAIN: _____
ABSENT: _____

David G. Nelissen _____
Anthony T. Stafford, Sr. _____
Dr. Jose Luis Araux _____
Dr. Randall Freeman _____
Elizabeth Vallejo _____

David G. Nelissen, President of the Board of Trustees

ATTEST:

Elizabeth Vallejo, Clerk of the Board of Trustees

I, _____, Clerk of the Board of Trustees of the Perris Union High School District, hereby certify that this Resolution was duly adopted at a regular meeting of the Board held on January 19th, 2022 and that it remains in full force and effect.

Elizabeth Vallejo, Clerk of the Board of Trustees