

Marine Area Community School

Fund Balance Policy

Drafted: November 8, 2018

Adopted:

I. PURPOSE

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of Marine Area Community School and is fiscally advantageous for both the school and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by MACS to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances.

II. GENERAL STATEMENT OF POLICY

The Board designates funds to specific classifications and determines the minimum unassigned fund balance for Marine Area Community School.

III. DEFINITIONS

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

This policy distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- 1) Nonspendable fund balance** – amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- 2) Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
- 3) Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the Board. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the board's commitment in connection with future construction projects).
- 4) Assigned fund balance** – amounts *intended* to be used by the school for specific purposes. Intent can be expressed by the Board or by a designee to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

- 5) **Unassigned fund balance** – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

IV. POLICY

The responsibility for designating funds to specific classifications shall be as follows:

Committed Fund Balance – The Board is MACS’ highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

Assigned Fund Balance – The Board has authorized the School Administrator as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance

It is the goal of MACS to achieve and maintain an unassigned fund balance in the general fund of not less than 20% of expenditures by the end of the fifth operational year and thereafter. If the unassigned fund balance at the end of the fifth operational year falls below the goal, the Board shall develop a restoration plan to achieve and maintain the minimum fund balance.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (e.g., a project is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), MACS will start with the most restricted category and spend those funds first before moving down to the next category with available funds.