

# POLICY

## BOARD OF EDUCATION OF ANNE ARUNDEL COUNTY

**Related Entries:** DB, DBK-RA

**Responsible Office:** OFFICE OF FINANCE

### CLASSIFICATION OF FUND BALANCES

#### A. PURPOSE

To provide authority, guidance, and limitations for determining classification and limitations on the use of the Board of Education of Anne Arundel County's (Board) fund balances, and to establish a goal for the retention of assigned and unassigned governmental fund balances.

#### B. ISSUE

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements set forth in this Statement are effective for financial statements for periods beginning after June 15, 2010. The objective of the Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The GASB statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent.

#### C. POSITION

1. Fund balances are designated into two general categories: non-spendable and spendable.
2. The Board maintains the general fund assigned and unassigned fund balance to address emergency funding needs and as a funding source for the annual operating budget. Sufficient reserves are a critical component of the Board's financial position and a key factor in maintaining its financial stability.

3. The Board retains the authority to take action to commit resources for specific purposes, in the form of committed fund balances, which comprise unused fund balances and to change or rescind such commitments.
4. The Board delegates authority to the Superintendent or the Superintendent's designee to allocate funds, in the form of assigned fund balances, determine the appropriate assignments of resources comprising the fund balances, and change or rescind such assignments.
5. The target of the Board is to maintain a total assigned and unassigned fund balance, excluding encumbrances, of not less than 1% with a goal of 5% of general fund revenue from the previous fiscal year.

#### **D. IMPLEMENTATION**

The Superintendent is authorized to develop regulations to implement this policy.

*Policy History:* Adopted 06/03/15; Revised 01/03/24; Technical Edit 03/04/25

*Note Previous Policy History:* None

*Legal Reference:* None