

REGULATION

ANNE ARUNDEL COUNTY PUBLIC SCHOOLS

Related Entries: DB, DBK

Responsible Office: OFFICE OF FINANCE

CLASSIFICATION OF FUND BALANCES

A. PURPOSE

The purpose of this regulation is to establish administrative guidance and procedures regarding the classification of Anne Arundel County Public Schools (AACPS) fund balances.

B. BACKGROUND

Governmental Accounting Standards Board pronouncement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the classification of fund balances based upon the focus of constraints placed on the use of a current fund balance. In governmental funds, local government identify fund balances separately based on a hierarchy of constraints placed on the use of the financial resources within the governmental funds. Constraints, which are defined below, are classified into five different classifications: *assigned, committed, non-spendable, restricted, and unassigned*.

C. DEFINITIONS

1. ***Assigned Fund Balances*** – funds that are constrained by the Board of Education of Anne Arundel County’s (Board) intent that they be used for a specific purpose.
2. ***Committed Fund Balances*** – funds that are constrained for specific purposes imposed by formal action of the Board’s highest level of decision-making authority.
3. ***Non-spendable Fund Balances*** – funds that may not be currently spent because they are:
 - a. Not in a spendable form; or
 - b. Legally or contractually required to be maintained intact.
4. ***Restricted Fund Balances*** – funds that are constrained for specific purposes through restrictions of external parties, including laws or regulations, contributors, and grantors.

5. ***Unassigned Fund Balances*** – the residual classification of the Board’s general fund, including all funds that are not constrained as reported in the other classifications.

D. PROCEDURES

1. Assigned Fund Balances

Assigned fund balances include:

- a. ***Environmental education, summer camps, and other self-supporting activities*** – funds collected from participants for activities such as Arlington Echo programs, Center for Applied Technology sales, summer camps, and other activities that may be segregated into separate funds and used to pay the obligations of the related activity. The intention of the fee is to offset the cost of providing the program.
- b. ***Purchase orders and encumbrances*** – encumbrances that are recorded within the financial system, provided that the encumbrances are supported by purchase orders or other form of vendor commitment. Commitment of a fund balance shall be released as the order is fulfilled or the encumbrance is liquidated by department representatives.

2. Unassigned Fund Balances

Any unspent resources not restricted, committed, or assigned are unassigned fund balances and available to fund AACPS expenditures.

3. Committed Fund Balances

Committed fund balances may be established, modified, or rescinded only through Board resolution via voting approval at a regularly scheduled meeting of the Board. Committed fund balances include:

- a. ***Athletic gate receipts*** – funds used to account for the Board’s share of gate receipts from high school athletic events. Funds from athletic activities shall be used in accordance with guidelines provided in the *School Activity Funds Manual* and may be used for special projects and the school system’s general fund.
- b. ***Capital projects*** – funds used to account for financing major construction projects within AACPS, including remodeling and alterations to existing facilities. The funds are created by grants and debt proceeds rather than operating revenues. Funds available for payment toward completion of a school project in subsequent school years shall be committed to construction projects and may only be moved through legislation. Use of these funds is governed by State and local law.

- c. **Food services** – funds accounted for in a separate special revenues fund. This fund is used to account for and report the proceeds of specific revenue sources and the money collected for meals is used to offset the cost of the meals. Use of these funds is governed by federal and State law. Unused funds shall remain in this fund until spent on food service operations and are deemed as committed.

4. **Non-Spendable Fund Balances**

Non-spendable fund balances include amounts that may not be currently spent because they are either in a non-spendable form, or legally or contractually required to be maintained intact. Non-spendable amounts that must be determined before all other classifications include:

- a. Long-term outstanding balances due from others, including other funds of the Board;
- b. Fund balances equal to the value of inventory balances and prepaid items, to the extent that such balances are not offset with liabilities and actually result in a fund balance;
- c. Fund balances equal to the corpus or principal of any permanent funds that are legally or contractually required to be maintained intact; or
- d. Fund balances equal to the balance of any land or other non-financial assets.

5. **Restricted Fund Balances**

Restricted fund balances include all balances in which the use is restricted by outside parties such as creditors, grantors, contributors, laws, or regulations. The fund balances derived from the following in the general fund are restricted:

- a. **Debt proceeds** – when issuing a capital lease agreement, any unused debt proceeds are retained in escrow until expended for purchases of the related equipment. Based on the terms of the lease agreement, these proceeds may not be spent without consent of both AACPS and the lender; therefore, the unused balances are restricted.
- b. **Grant funds** – funds received from federal, State, local, or private sources are restricted, provided the funds are restricted by the outside agency, which could bring action against the Board for not spending the funds in accordance with the established restriction.
- c. **Medicaid funds** – accumulated funds received through the Maryland Department of Health (MDH) from the federal Medicaid program as reimbursement for Medicaid eligible services performed by AACPS. These funds are restricted for

the purposes set forth in the Memorandum of Agreement between AACPS and MDH, and are tracked in separate accounts, including some balances reserved for use in the particular schools that provided the services. Due to the restriction placed on the use of these funds, the unused balance is restricted.

Regulation History: Issued 06/03/15; Revised 06/13/18; Technical Edit 03/04/25

Note Previous Regulation History: None

Legal References: 42 U.S.C. §1751 et seq., 42 U.S.C. § 1761, 42 U.S.C. §1772, 42 U.S.C. § 1773, Sections 7-601 et seq. and 7-701 et seq, of the Education Article, COMAR 13A.06.01.01