

## **EAST MILLINOCKET SCHOOL DEPARTMENT FUND BALANCE POLICY**

### **Purpose**

It is the purpose of this policy to recognize the State requirements placed on school fund balances and establish a guideline for managing fund balances while ensuring compliance with State law. This policy is separate from but complementary to the Town's General Fund Balance Policy, and is specific to the School Department, whose fund balance contributes to the Town's General Fund balance. Public schools are governed by State laws, which include requirements for school fund balances. A key element of the financial stability of the Town is not only the fund balance amount but also having a policy in place to set guidelines for the Town's General Fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that the Town and School maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. It is also critical that they comply with State law requirements for school fund balances.

The intent of these laws is to ensure that public funds raised for education, including those provided by the State, are used for that purpose and are subject to independent audit, and additionally that school administrative units do not accumulate fund balances in excess of a reasonable amount without consideration for tax relief. The calculation of amounts that are covered by the 5% unallocated balance limitation (for FY 2021) and the 9% unallocated balance limitation (for FYs 2022, 2023, 2024 & 2025) would not include School Reserve funds, Adult Education funds, or Food Service funds.

### **Policy**

It is the policy of the **East Millinocket School Board**:

To comply with State laws by accounting for school funds internally and through independent audit.

- i. To apply school funds only to school purposes.
- ii. To apply any unallocated school general fund balances in excess of the 5% for FY 2021 and 9% for FYs 2022, 2023, 2024 & 2025 allowance of the previous year's budget to support the operating budget over a period not to exceed the three succeeding years. This policy does not limit the authority of the School Board, with approval of the Taxpayers, to establish and transfer school funds to school reserve funds.

It is also the goal of the Board to maintain enough fund balance to provide a resource to address losses of revenue or unforeseen expenditure events.

Legal References: 20-A M.R.S. §1001(1-A); 20-A M.R.S. §15689-B (6); 20-A M.R.S. §15004; 20-A M.R.S. §15689-B (5); 20-A M.R.S. §6052

1<sup>st</sup> Reading: 12/7/2021

2<sup>nd</sup> Reading & Adopted: 1/4/2022